

TOWN OF DRAYTON VALLEY
Consolidated Financial Statements
For the Year Ended December 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Town of Drayton Valley

Opinion

We have audited the accompanying consolidated financial statements of the Town of Drayton Valley (the Town), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, changes in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2018, the consolidated results of its operations and accumulated surplus, changes in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated 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.

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditors' Report to the Mayor and Council of Town of Drayton Valley (continued)

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

METRIX GROUP LLP

Chartered Professional Accountants


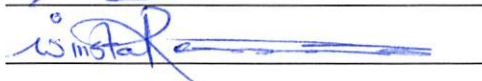
April 24, 2019
Edmonton, Alberta

TOWN OF DRAYTON VALLEY
Consolidated Statement of Financial Position
As at December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	24,747,543	15,656,166
Receivables (Note 3)	3,666,824	3,520,455
Land inventory held for resale	286,274	286,274
	28,700,641	19,462,895
LIABILITIES		
Accounts payable and accrued liabilities	2,724,592	2,727,631
Deposits	296,497	292,648
Deferred revenue (Note 4)	7,690,222	4,117,626
Landfill closure and post-closure (Note 5)	3,300,000	3,500,000
Long-term debt (Note 6)	13,775,738	12,595,965
	27,787,049	23,233,870
NET FINANCIAL ASSETS (DEBT)	913,592	(3,770,975)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	113,983,884	118,486,434
Inventory for consumption	68,120	52,195
Prepaid expenses and other assets	27,400	19,816
	114,079,404	118,558,445
ACCUMULATED SURPLUS (Note 9)	\$114,992,996	\$114,787,470

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, 2018

	2018 (Budget)	2018 (Actual)	2017 (Actual)
REVENUE			
Net taxation (<i>Schedule 2</i>)	\$ 11,909,302	\$ 11,889,855	\$ 11,663,844
Sales and user charges (<i>Schedule 4</i>)	8,843,507	8,118,792	7,878,263
Government transfers for operating (<i>Schedule 3</i>)	3,352,663	3,761,903	3,293,232
Franchise and concession contracts (<i>Note 12</i>)	1,225,892	1,176,853	1,226,174
Rentals	754,151	669,931	696,216
Penalties and costs on taxes	221,000	267,682	243,056
Investment income	162,782	257,800	143,069
Licenses and permits	144,000	176,561	125,857
Fines	112,000	119,435	384,066
Other	29,007	60,440	76,836
Development levies	-	46,336	11,958
	26,754,304	26,545,588	25,742,571
EXPENSES			
Recreation and culture	4,342,346	4,561,355	4,698,741
Water and wastewater	3,235,706	3,188,198	2,949,864
Administration	2,238,842	2,523,678	2,057,567
Public health and welfare	2,304,707	2,288,219	2,401,722
Roads, streets, walks, and lighting	2,007,811	2,066,041	1,560,936
Police	1,959,915	2,022,392	2,090,385
Waste management	1,506,491	1,485,551	1,720,535
Subdivision land and development	1,438,631	1,370,460	1,802,432
Fire and disaster services	1,121,303	1,045,786	1,092,789
Common and equipment pool	928,910	949,574	857,475
Council	587,545	561,016	443,865
Bylaws enforcement	89,156	120,632	112,253
Airport	110,923	102,679	71,690
Other	262,500	(33,404)	263,202
Amortization of tangible capital assets	-	6,174,872	6,131,021
	22,134,786	28,427,049	28,254,477
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER REVENUE	4,619,518	(1,881,461)	(2,511,906)
OTHER REVENUE (EXPENSE)			
Government transfers for capital (<i>Schedule 3</i>)	5,616,589	2,258,930	2,488,383
Cash in lieu of parks	-	(39,150)	107,550
Donations for tangible capital assets	47,120	5,000	37,516
Gain (loss) on disposal of tangible capital assets	-	(137,793)	-
	5,663,709	2,086,987	2,633,449
ANNUAL SURPLUS (DEFICIT)	10,283,227	205,526	121,543
ACCUMULATED SURPLUS, BEGINNING OF YEAR	114,787,470	114,787,470	114,665,927
ACCUMULATED SURPLUS, END OF YEAR (<i>Note 7</i>)	\$ 125,070,697	\$ 114,992,996	\$ 114,787,470

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

TOWN OF DRAYTON VALLEY
Consolidated Statement of Changes in Net Financial Assets (Debt)
For the Year Ended December 31, 2018

	2018 (Budget)	2018 (Actual)	2017 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ 10,283,227	\$ 205,526	\$ 121,543
Acquisition of tangible capital assets	(10,105,021)	(1,887,116)	(3,121,529)
Proceeds on disposal of tangible capital assets	-	77,000	-
Amortization of tangible capital assets	-	6,174,872	6,131,021
Loss (gain) on disposal of tangible capital assets	-	137,793	-
	(10,105,021)	4,502,549	3,009,492
Use (acquisition) of prepaid expenses	-	(7,584)	(19,816)
Use (acquisition) of inventory for consumption	-	(15,924)	5,845
	-	(23,508)	(13,971)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS (DEBT)	178,206	4,684,567	3,117,064
NET DEBT, BEGINNING OF YEAR	(3,770,975)	(3,770,975)	(6,888,039)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ (3,592,769)	\$ 913,592	\$ (3,770,975)

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

TOWN OF DRAYTON VALLEY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Cash from operations		
Annual surplus (deficit)	\$ 205,526	\$ 121,543
Non-cash items included in annual surplus		
Amortization of tangible capital assets	6,174,872	6,131,021
Provision for landfill closure and post-closure (recovery)	(200,000)	300,000
Loss (gain) on disposal of tangible capital assets	137,793	-
Change in non-cash working capital		
balances related to operations:		
Receivables	(146,369)	294,620
Inventory for consumption	(15,925)	5,846
Accounts payable and accrued liabilities	(3,038)	(44,549)
Deposits	3,849	127
Prepaid expenses	(7,584)	(19,816)
Deferred revenue	3,572,596	1,555,077
	9,721,720	8,343,869
FINANCING ACTIVITIES		
Long-term debt advances	2,362,330	-
Repayment of long-term debt	(1,182,557)	(1,215,396)
	1,179,773	(1,215,396)
CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	77,000	-
Purchase of tangible capital assets	(1,887,116)	(3,121,529)
	(1,810,116)	(3,121,529)
INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	9,091,377	4,006,944
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,656,166	11,649,222
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 24,747,543	\$ 15,656,166

TOWN OF DRAYTON VALLEY
Schedule of Equity in Tangible Capital Assets
For the Year Ended December 31, 2018

Schedule 1

	2018	2017
BALANCE, BEGINNING OF YEAR	\$105,890,469	\$107,684,565
Acquisition of tangible capital assets	1,887,116	3,121,529
Amortization of tangible capital assets	(6,174,872)	(6,131,021)
Net book value of tangible capital assets disposed of	(214,794)	-
Long-term debt advances	(2,362,330)	-
Long-term capital debt repayments (advances)	1,182,557	1,215,396
BALANCE, END OF YEAR	\$100,208,146	\$105,890,469
Equity in Tangible Capital Assets is Comprised of the Following:		
Tangible capital assets net book value	\$113,983,884	\$118,486,434
Long-term capital debt	(13,775,738)	(12,595,965)
	\$100,208,146	\$105,890,469

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

TOWN OF DRAYTON VALLEY
Schedule of Property Taxes
For the Year Ended December 31, 2018

Schedule 2

	2018 (Budget)	2018 (Actual)	2017 (Actual)
TAXATION			
Real property taxes	\$ 15,486,234	\$ 15,429,023	\$ 15,205,172
Linear property taxes	624,398	624,396	797,121
Government grants in place of property taxes	40,636	40,636	39,374
Special assessments and local improvement taxes	-	21,437	25,203
	16,151,268	16,115,492	16,066,870
REQUISITIONS			
Alberta School Foundation Fund	3,961,205	3,945,474	4,126,361
Brazeau Foundation	280,761	280,163	276,665
	4,241,966	4,225,637	4,403,026
NET MUNICIPAL TAXES	\$ 11,909,302	\$ 11,889,855	\$ 11,663,844

TOWN OF DRAYTON VALLEY
Schedule of Government Transfers
For the Year Ended December 31, 2018

Schedule 3

	2018 (Budget)	2018 (Actual)	2017 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	1,424,925	1,975,800	1,427,021
Local governments	1,927,738	1,786,103	1,818,711
Federal government	-	-	47,500
	3,352,663	3,761,903	3,293,232
TRANSFERS FOR CAPITAL			
Provincial government	5,177,946	2,137,699	2,158,556
Local governments	438,643	114,931	314,605
Federal government	-	6,300	15,222
	5,616,589	2,258,930	2,488,383
TOTAL GOVERNMENT TRANSFERS	\$ 8,969,252	\$ 6,020,833	\$ 5,781,615

TOWN OF DRAYTON VALLEY
Schedule of Segmented Disclosures
For the Year Ended December 31, 2018

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	2,400,511	2,089,748	-	2,334,558	2,009,855	232,376	2,822,807	11,889,855
Sales and user charges	44,533	70,829	6,619,343	776,844	466	485,112	121,665	8,118,792
Government transfers	3,184	886,057	36,870	1,018,650	288,201	1,438,750	90,191	3,761,903
All other	75,450	126,240	111,083	3,596	-	53,279	1,735,459	2,105,107
Rentals	-	14,400	-	427,701	15,555	78,703	133,572	669,931
	2,523,678	3,187,274	6,767,296	4,561,349	2,314,077	2,288,220	4,903,694	26,545,588
EXPENSES								
Wages and benefits	1,434,830	1,098,240	984,954	2,451,627	551,771	1,687,500	1,142,764	9,351,686
Contracted and general services	178,637	1,679,489	1,291,462	651,825	46,483	297,915	716,079	4,861,890
Professional fees	751,767	215,864	837,811	355,540	528,306	163,600	845,294	3,698,182
Utilities	22,569	55,266	659,741	523,223	553,229	29,483	46,345	1,889,856
Repairs and maintenance	124,080	97,730	506,087	380,059	333,570	23,143	93,927	1,558,596
Interest on long-term debt	1,475	-	285,220	71,202	52,681	71,652	34,061	516,291
Insurance	10,320	40,685	108,473	127,873	-	14,927	73,398	375,676
	2,523,678	3,187,274	4,673,748	4,561,349	2,066,040	2,288,220	2,951,868	22,252,177
NET REVENUE, BEFORE AMORTIZATION	-	-	2,093,548	-	248,037	-	1,951,826	4,293,411
Amortization	293,850	12,450	2,280,831	588,510	2,181,855	266,971	550,405	6,174,872
NET REVENUE (DEFICIT) \$	(293,850) \$	(12,450) \$	(187,283) \$	(588,510) \$	(1,933,818) \$	(266,971) \$	1,401,421 \$	(1,881,461) \$

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, 2017

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	1,862,641	1,942,908	-	2,307,192	1,514,834	513,615	3,522,654	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	70,180	892,242	10,000	1,109,481	40,814	1,093,576	76,939	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
	2,057,566	3,295,426	6,032,559	4,698,741	1,560,936	2,401,721	5,695,622	25,742,571
EXPENSES								
Wages and benefits	1,108,033	1,136,123	1,105,530	2,295,428	573,785	1,674,286	1,627,758	9,520,943
Contracted and general services	208,908	1,668,798	1,468,694	680,418	31,791	276,291	796,895	5,131,795
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
	2,057,566	3,295,426	4,670,399	4,698,741	1,560,936	2,401,721	3,438,667	22,123,456
NET REVENUE, BEFORE AMORTIZATION	-	-	1,362,160	-	-	-	2,256,955	3,619,115
Amortization	287,029	11,571	2,280,890	575,524	2,153,199	280,768	542,040	6,131,021
NET REVENUE (DEFICIT)	\$ (287,029)	\$ (11,571)	\$ (918,730)	\$ (575,524)	\$ (2,153,199)	\$ (280,768)	\$ 1,714,915	\$ (2,511,906)

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, 2018

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 financial 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)

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

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, 2018

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

	2018	2017
Deposit accounts	24,746,663	15,655,286
Cash on hand	880	880
	\$ 24,747,543	\$ 15,656,166

3. ACCOUNTS RECEIVABLE

	2018	2017
Taxes and grants in place of taxes		
Arrears	\$ 513,590	\$ 553,061
Arrears on property held for tax recovery	40,652	40,652
Current	148,381	30,174
	702,623	623,887
Trade and other	2,850,586	2,630,952
Local improvement taxes	531,628	624,357
Goods and Services Tax	74,156	141,447
	4,158,993	4,020,643
Less: Allowance for doubtful accounts	(492,169)	(500,188)
	\$ 3,666,824	\$ 3,520,455

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

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.

	Opening	Receipts	Revenue	Ending
Municipal Sustainability Initiative Capital	-	4,070,636	(955,281)	3,115,355
Alberta Community Resilience Program	3,004,800	49,813	(149,292)	2,905,321
Federal Gas Tax Funding	258,191	790,159	(346,501)	701,849
Other	562,108	193,564	(140,331)	615,341
Alberta Community Partnership Program	292,527	4,841	(15,572)	281,796
Minister of Children's Services - Early Learning and Child Care Centre	-	553,334	(482,774)	70,560
	\$ 4,117,626	\$ 5,662,347	\$ (2,089,751)	\$ 7,690,222

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 seven 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.

	2018	2017
Estimated post-closure costs	\$ 3,429,965	\$ 3,453,751
Estimated closure costs	2,597,915	2,369,408
Estimated total liability	6,027,880	5,823,159
Estimated capacity remaining	45.3 %	39.9 %
Portion of total liability remaining to be recognized	2,727,880	2,323,159
Estimated capacity used	54.7 %	60.1 %
Accrued liability portion	\$ 3,300,000	\$ 3,500,000

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

6. LONG-TERM DEBT

	2018	2017
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.	\$ 7,252,950	\$ 8,208,780
Federation of Canadian Municipalities loan bearing interest at 4.000% per annum, requiring blended semi-annual payments of \$271,851 are required.	6,522,788	4,387,185
	\$ 13,775,738	\$ 12,595,965

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,275,320	\$ 523,897	\$ 1,799,217
2020	1,277,501	477,880	1,755,381
2021	1,309,795	430,225	1,740,020
2022	1,267,644	382,139	1,649,783
2023	989,167	339,156	1,328,323
Thereafter	7,656,311	1,608,538	9,264,849
	\$ 13,775,738	\$ 3,761,835	\$ 17,537,573

Interest on long-term debt amounted to \$516,291 (2017 - \$502,970).

The Town's total cash payments for interest during 2018 were \$564,106 (2017 - \$511,124).

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:

	2018	2017
Total debt limit	\$ 39,818,382	\$ 38,613,857
Total debt	(13,775,738)	(12,595,965)
Amount of debt limit unused	\$ 26,042,644	\$ 26,017,892
Service on debt limit	\$ 6,636,397	\$ 6,435,643
Service on debt	(1,799,217)	(1,606,484)
Amount of debt servicing limit unused	\$ 4,837,180	\$ 4,829,159

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

8. TANGIBLE CAPITAL ASSETS

		Net Book Value			
		2018			2017
Engineered structures					
Roads		\$ 24,319,487		\$	25,818,413
Water systems		24,259,012			25,736,293
Sewer systems		15,109,859			15,568,553
Other		<u>10,624,255</u>			<u>10,595,166</u>
		74,312,613			77,718,425
Buildings		28,919,568			29,835,502
Land		7,716,194			7,716,194
Machinery and equipment		2,253,695			2,381,892
Vehicles		<u>781,814</u>			<u>834,421</u>
		<u>\$ 113,983,884</u>		\$	<u>118,486,434</u>
	Cost				Cost
	Beginning of				End of
	Year	Additions	Disposals	Write-downs	Year
Engineered structures					
Roads	\$ 53,481,758	\$ 679,787	\$ -	\$ -	\$ 54,161,545
Water systems	41,106,312	243,762	-	-	41,350,074
Sewer systems	26,066,382	23,611	-	-	26,089,993
Other	<u>17,545,719</u>	<u>472,516</u>	<u>-</u>	<u>-</u>	<u>18,018,235</u>
	138,200,171	1,419,676	-	-	139,619,847
Buildings	41,487,766	41,012	-	-	41,528,778
Land	7,716,194	-	-	-	7,716,194
Machinery and equipment	5,951,924	382,875	(266,767)	-	6,068,032
Vehicles	<u>2,439,902</u>	<u>43,553</u>	<u>-</u>	<u>-</u>	<u>2,483,455</u>
	<u>\$ 195,795,957</u>	<u>\$ 1,887,116</u>	<u>\$ (266,767)</u>	<u>\$ -</u>	<u>\$ 197,416,306</u>
	Accumulated				Accumulated
	Amortization				Amortization
	Beginning of	Current	Disposals	Write-downs	End of
	Year	Amortization			Year
Engineered structures					
Roads	\$ 27,663,345	\$ 2,178,713	\$ -	\$ -	\$ 29,842,058
Water systems	15,370,019	1,721,043	-	-	17,091,062
Sewer systems	10,497,829	482,305	-	-	10,980,134
Other	<u>6,950,553</u>	<u>443,427</u>	<u>-</u>	<u>-</u>	<u>7,393,980</u>
	60,481,746	4,825,488	-	-	65,307,234
Buildings	11,652,264	956,946	-	-	12,609,210
Machinery and equipment	3,570,032	296,278	(51,973)	-	3,814,337
Vehicles	<u>1,605,481</u>	<u>96,160</u>	<u>-</u>	<u>-</u>	<u>1,701,641</u>
	<u>\$ 77,309,523</u>	<u>\$ 6,174,872</u>	<u>\$ (51,973)</u>	<u>\$ -</u>	<u>\$ 83,432,422</u>

The costs above include \$870,135 (2017 - \$343,774) 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, 2018

9. ACCUMULATED SURPLUS

	2018	2017
Unrestricted surplus	\$ 8,836,877	\$ 3,864,294
Restricted surplus (Note 10)		
Operating reserves	390,608	206,991
Capital reserves	5,557,365	4,825,716
Equity in tangible capital assets (Schedule 1)	100,208,146	105,890,469
	\$114,992,996	\$114,787,470

10. RESERVES

	2018	2017
Operating Reserves:		
Operating contingency	\$ 525,000	\$ 525,000
Automated traffic enforcement	254,601	385,554
Landfill post-closure	(388,993)	(703,563)
	\$ 390,608	\$ 206,991
Capital Reserves:		
Pool	2,225,569	1,697,031
General capital	1,000,000	1,000,000
Landfill airspace depletion	902,316	693,362
Sewer capital	623,922	607,026
Water capital	475,925	446,485
Parkland capital	297,872	337,022
Storm capital	95,351	95,351
Affordable housing	43,445	74,658
Landfill capital equipment	(107,035)	(125,219)
	\$ 5,557,365	\$ 4,825,716

11. CREDIT FACILITY

The Town is approved for a revolving demand loan of \$4,000,000 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 2018 fiscal year.

12. UTILITY FRANCHISE AGREEMENTS

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

	2018	2017
Fortis Alberta Inc.	\$ 802,163	\$ 782,908
Atco Gas	374,690	443,266
	\$ 1,176,853	\$ 1,226,174

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

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:

		2018			2017
		Salary	Benefits and Allowances	Total	Total
Mayor	Michael Doerksen	\$ 63,370	\$ 10,399	\$ 73,769	\$ 14,908
Mayor	Glenn McLean	-	-	-	61,353
Councillor	Nancy Dodds	47,425	7,849	55,274	9,741
Councillor	Bill Ballas	46,475	6,579	53,054	10,027
Councillor	Corey Peebles	44,625	7,560	52,185	9,959
Councillor	Fayrell Wheeler	44,450	5,649	50,099	45,620
Councillor	Amila Gammama	42,280	6,216	48,496	10,611
Councillor	Eric Butz	33,175	3,695	36,870	9,432
Councillor	Tom McGee	3,550	475	4,025	-
Councillor	Graham Long	-	-	-	40,815
Councillor	Debra Bossert	-	-	-	33,687
Councillor	Brandy Fredrickson	-	-	-	32,062
Councillor	Michael Doerksen	-	-	-	22,607
Councillor	Nicole Nadeau	-	-	-	5,071
		\$ 325,350	\$ 48,422	\$ 373,772	\$ 305,893
Chief Administrative Officers					
	Dwight Dibben	\$ 279,774	\$ 13,420	\$ 293,194	\$ 234,700
	Pamela Livingston	111,457	19,108	130,565	-
	Winston Rossouw	77,250	19,766	97,016	-
		\$ 468,481	\$ 52,294	\$ 520,775	\$ 234,700
Designated Officers		\$ 406,165	\$ 94,100	\$ 500,265	\$ 964,472

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.

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

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 consolidated financial statement presentation.

18. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved the consolidated financial statements.

19. BUDGET FIGURES

The budget figures are presented for information purposes only and have not been audited. The 2018 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.

	2018 (Budget)	2018 (Actual)
Annual surplus	10,283,227	205,526
Net transfers to (from) reserves	(1,407,441)	915,266
Acquisition of capital projects	(10,105,021)	(1,887,116)
Net debt borrowing	1,229,235	(1,182,557)
	\$ -	\$ (1,948,881)