

TOWN OF DRAYTON VALLEY
Consolidated Financial Statements
For the Year Ended December 31, 2019

DRAFT

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, 2019, and the consolidated statements of operations and accumulated surplus, changes in net financial assets 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, 2019, the consolidated results of its operations and accumulated surplus, changes in its net financial assets 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:

- 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

Edmonton, Alberta
May 6, 2020

TOWN OF DRAYTON VALLEY
Consolidated Statement of Financial Position
As at December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 22,548,696	\$ 24,747,543
Receivables (Note 3)	5,487,396	3,666,824
Land inventory held for resale	286,274	286,274
	28,322,366	28,700,641
LIABILITIES		
Accounts payable and accrued liabilities	4,783,385	2,724,592
Deposits	310,764	296,497
Deferred revenue (Note 4)	5,174,450	7,690,222
Landfill closure and post-closure (Note 5)	3,300,000	3,300,000
Long-term debt (Note 6)	12,500,418	13,775,738
	26,069,017	27,787,049
NET FINANCIAL ASSETS	2,253,349	913,592
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	120,846,948	113,983,884
Inventory for consumption	125,965	68,120
Prepaid expenses and other assets	27,218	27,400
	121,000,131	114,079,404
ACCUMULATED SURPLUS (Note 9)	\$123,253,480	\$114,992,996
Contingencies (Note 16)		

ON BEHALF OF THE TOWN COUNCIL:

TOWN OF DRAYTON VALLEY
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2019

	2019 (Budget)	2019 (Actual)	2018 (Actual)
REVENUE			
Net taxation (<i>Schedule 2</i>)	\$ 10,738,922	\$ 10,802,103	\$ 11,889,855
Sales and user charges (<i>Schedule 4</i>)	9,069,566	8,499,848	8,118,792
Government transfers for operating (<i>Schedule 3</i>)	3,380,998	4,324,142	3,761,903
Franchise and concession contracts (<i>Note 12</i>)	1,338,302	1,208,934	1,176,853
Rentals	696,400	709,618	669,931
Investment income	483,765	454,571	257,800
Penalties and costs on taxes	204,630	218,641	267,682
Licenses and permits	254,000	201,599	176,561
Fines	137,000	73,670	119,435
Other	51,500	60,289	60,440
Development levies	-	-	46,336
	<u>26,355,083</u>	<u>26,553,415</u>	<u>26,545,588</u>
EXPENSES			
Recreation and culture	4,470,014	4,780,080	4,561,355
Water and wastewater	3,555,649	3,206,347	3,188,198
Public health and welfare	2,316,874	2,467,119	2,288,219
Roads, streets, walks, and lighting	2,024,469	2,338,918	2,066,041
Administration	2,220,872	2,254,591	2,523,678
Police	2,227,181	2,123,111	2,022,392
Waste management	1,728,117	1,563,556	1,485,551
Common and equipment pool	909,884	1,470,850	949,574
Subdivision land and development	1,238,408	1,226,525	1,370,460
Fire and disaster services	1,076,119	995,348	1,045,786
Council	657,545	515,512	561,016
Other	561,078	231,244	(33,404)
Airport	91,448	82,643	102,679
Bylaws enforcement	52,500	48,888	120,632
Amortization of tangible capital assets	2,197,000	6,308,970	6,174,872
	<u>25,327,158</u>	<u>29,613,702</u>	<u>28,427,049</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER REVENUE	<u>1,027,925</u>	<u>(3,060,287)</u>	<u>(1,881,461)</u>
OTHER REVENUE (EXPENSE)			
Contributed tangible capital assets (<i>Note 15</i>)	-	5,739,462	-
Government transfers for capital (<i>Schedule 3</i>)	12,665,080	5,576,706	2,258,930
Donations for tangible capital assets	17,759	10,000	5,000
Gain (loss) on disposal of tangible capital assets	-	(5,397)	(137,793)
Cash in lieu of parks	-	-	(39,150)
	<u>12,682,839</u>	<u>11,320,771</u>	<u>2,086,987</u>
ANNUAL SURPLUS	<u>13,710,764</u>	<u>8,260,484</u>	<u>205,526</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>114,992,996</u>	<u>114,992,996</u>	<u>114,787,470</u>
ACCUMULATED SURPLUS, END OF YEAR (<i>Note 7</i>)	<u>\$128,703,760</u>	<u>\$123,253,480</u>	<u>\$114,992,996</u>

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

TOWN OF DRAYTON VALLEY
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2019

	2019 (Budget)	2019 (Actual)	2018 (Actual)
ANNUAL SURPLUS	\$ 13,710,764	\$ 8,260,484	\$ 205,526
Acquisition of tangible capital assets	(18,177,720)	(7,452,305)	(1,887,116)
Contributed tangible capital assets <i>(Note 15)</i>	-	(5,739,462)	-
Proceeds on disposal of tangible capital assets	-	14,336	77,000
Amortization of tangible capital assets	2,197,000	6,308,970	6,174,872
Loss on disposal of tangible capital assets	-	5,397	137,793
	(15,980,720)	(6,863,064)	4,502,549
Use (acquisition) of prepaid expenses	-	182	(7,584)
Acquisition of inventory for consumption	-	(57,845)	(15,924)
	-	(57,663)	(23,508)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(2,269,956)	1,339,757	4,684,567
NET FINANCIAL ASSETS, BEGINNING OF YEAR	913,592	913,592	(3,770,975)
NET FINANCIAL ASSETS, END OF YEAR	\$ (1,356,364)	\$ 2,253,349	\$ 913,592

TOWN OF DRAYTON VALLEY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Cash from operations		
Annual surplus	\$ 8,260,484	\$ 205,526
Non-cash items included in annual surplus		
Amortization of tangible capital assets	6,308,970	6,174,872
Contributed tangible capital assets (Note 15)	(5,739,462)	-
Provision for landfill closure and post-closure (recovery)	-	(200,000)
Loss on disposal of tangible capital assets	5,397	137,793
Change in non-cash working capital balances related to operations:		
Receivables	(1,820,572)	(146,369)
Inventory for consumption	(57,845)	(15,925)
Accounts payable and accrued liabilities	2,058,793	(3,038)
Deposits	14,267	3,849
Prepaid expenses	182	(7,584)
Deferred revenue	(2,515,772)	3,572,596
	<u>6,514,442</u>	<u>9,721,720</u>
FINANCING ACTIVITIES		
Long-term debt advances	-	2,362,330
Repayment of long-term debt	(1,275,320)	(1,182,557)
	<u>(1,275,320)</u>	<u>1,179,773</u>
CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	14,336	77,000
Purchase of tangible capital assets	(7,452,305)	(1,887,116)
	<u>(7,437,969)</u>	<u>(1,810,116)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	<u>(2,198,847)</u>	<u>9,091,377</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>24,747,543</u>	<u>15,656,166</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 22,548,696</u>	<u>\$ 24,747,543</u>

TOWN OF DRAYTON VALLEY
Schedule of Equity in Tangible Capital Assets
For the Year Ended December 31, 2019

Schedule 1

	2019	2018
BALANCE, BEGINNING OF YEAR	\$100,208,146	\$105,890,469
Acquisition of tangible capital assets	13,191,767	1,887,116
Amortization of tangible capital assets	(6,308,970)	(6,174,872)
Net book value of tangible capital assets disposed of	(19,733)	(214,794)
Long-term debt advances	-	(2,362,330)
Long-term capital debt repayments	1,275,320	1,182,557
BALANCE, END OF YEAR	\$108,346,530	\$100,208,146
Equity in Tangible Capital Assets is Comprised of the Following:		
Tangible capital assets net book value	\$120,846,948	\$113,983,884
Long-term capital debt	(12,500,418)	(13,775,738)
	\$108,346,530	\$100,208,146

TOWN OF DRAYTON VALLEY
Schedule of Property Taxes
For the Year Ended December 31, 2019

Schedule 2

	2019 (Budget)	2019 (Actual)	2018 (Actual)
TAXATION			
Real property taxes	\$ 14,344,916	\$ 14,277,078	\$ 15,429,023
Linear property taxes	587,865	587,865	624,396
Government grants in place of property taxes	35,812	30,976	40,636
Special assessments and local improvement taxes	-	21,804	21,437
	<u>14,968,593</u>	<u>14,917,723</u>	<u>16,115,492</u>
REQUISITIONS			
Alberta School Foundation Fund	3,956,654	3,843,207	3,945,474
Brazeau Foundation	273,017	272,413	280,163
	<u>4,229,671</u>	<u>4,115,620</u>	<u>4,225,637</u>
NET MUNICIPAL TAXES	<u>\$ 10,738,922</u>	<u>\$ 10,802,103</u>	<u>\$ 11,889,855</u>

TOWN OF DRAYTON VALLEY
Schedule of Government Transfers
For the Year Ended December 31, 2019

Schedule 3

	2019 (Budget)	2019 (Actual)	2018 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 1,363,627	\$ 2,333,208	\$ 1,975,800
Local governments	2,017,371	1,990,934	1,786,103
	<u>3,380,998</u>	<u>4,324,142</u>	<u>3,761,903</u>
TRANSFERS FOR CAPITAL			
Provincial government	12,073,847	4,453,882	2,137,699
Federal government	-	895,456	6,300
Local governments	591,233	227,368	114,931
	<u>12,665,080</u>	<u>5,576,706</u>	<u>2,258,930</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 16,046,078</u>	<u>\$ 9,900,848</u>	<u>\$ 6,020,833</u>

TOWN OF DRAYTON VALLEY
Schedule of Segmented Information
For the Year Ended December 31, 2019

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	2,126,419	2,140,759	-	1,969,374	2,165,728	99,631	2,300,192	10,802,103
Sales and user charges	42,147	53,850	6,971,324	830,897	1,653	458,662	141,315	8,499,848
Government transfers	-	873,773	-	1,554,589	158,980	1,731,862	4,938	4,324,142
All other	86,026	84,565	55,230	1,500	-	51,591	1,938,792	2,217,704
Rentals	-	14,400	-	423,718	12,556	125,373	133,571	709,618
	<u>2,254,592</u>	<u>3,167,347</u>	<u>7,026,554</u>	<u>4,780,078</u>	<u>2,338,917</u>	<u>2,467,119</u>	<u>4,518,808</u>	<u>26,553,415</u>
EXPENSES								
Wages and benefits	1,250,279	974,668	980,498	2,333,233	583,355	1,849,360	1,117,364	9,088,757
Contracted and general services	156,196	1,896,747	1,278,851	801,744	31,609	368,830	691,369	5,225,346
Professional fees	766,326	164,140	945,999	368,941	704,341	117,292	1,060,531	4,127,570
Utilities	17,377	49,725	559,753	492,673	547,184	26,872	116,574	1,810,158
Repairs and maintenance	43,405	54,975	576,202	626,532	428,302	18,198	217,647	1,965,261
Interest on long-term debt	2,488	-	313,031	65,581	44,126	67,097	29,339	521,662
Insurance	18,521	27,092	115,568	91,374	-	19,470	62,709	334,734
Provision for allowances	-	-	-	-	-	-	231,244	231,244
	<u>2,254,592</u>	<u>3,167,347</u>	<u>4,769,902</u>	<u>4,780,078</u>	<u>2,338,917</u>	<u>2,467,119</u>	<u>3,526,777</u>	<u>23,304,732</u>
NET REVENUE, BEFORE AMORTIZATION	-	-	2,256,652	-	-	-	992,031	3,248,683
Amortization	<u>286,527</u>	<u>15,363</u>	<u>2,309,076</u>	<u>594,378</u>	<u>2,267,730</u>	<u>272,753</u>	<u>563,143</u>	<u>6,308,970</u>
NET REVENUE (DEFICIT)	\$ (286,527)	\$ (15,363)	\$ (52,424)	\$ (594,378)	\$ (2,267,730)	\$ (272,753)	\$ 428,888	\$ (3,060,287)

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

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

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	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
	<u>2,523,678</u>	<u>3,187,274</u>	<u>6,767,296</u>	<u>4,561,349</u>	<u>2,314,077</u>	<u>2,288,220</u>	<u>4,903,694</u>	<u>26,545,588</u>
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	651,481	4,797,292
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	138,544	1,982,055
Repairs and maintenance	124,080	97,730	506,087	380,059	333,570	23,143	99,730	1,564,399
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
Provision (recovery) for allowances	-	-	-	-	-	-	(33,404)	(33,404)
	<u>2,523,678</u>	<u>3,187,274</u>	<u>4,673,748</u>	<u>4,561,349</u>	<u>2,066,040</u>	<u>2,288,220</u>	<u>2,951,868</u>	<u>22,252,177</u>
NET REVENUE, BEFORE AMORTIZATION	-	-	2,093,548	-	248,037	-	1,951,826	4,293,411
Amortization	<u>293,850</u>	<u>12,450</u>	<u>2,280,831</u>	<u>588,510</u>	<u>2,181,855</u>	<u>266,971</u>	<u>550,405</u>	<u>6,174,872</u>
NET REVENUE (DEFICIT)	<u>\$ (293,850)</u>	<u>\$ (12,450)</u>	<u>\$ (187,283)</u>	<u>\$ (588,510)</u>	<u>\$ (1,933,818)</u>	<u>\$ (266,971)</u>	<u>\$ 1,401,421</u>	<u>\$ (1,881,461)</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, 2019

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 Aspen Waste Management
 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.

Expenses 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, 2019

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 Costs

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

(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.

(CONT'D)

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(k) New Accounting Standards not yet Adopted

Effective for fiscal years beginning on or after April 1, 2021, PS 3280 Asset Retirement Obligations provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

Effective for fiscal years beginning on or after April 1, 2022, PS 3400 Revenue provides guidance on how to account for and report revenue, and specifically, it addresses revenue arising from exchange transactions and unilateral transactions.

2. CASH AND CASH EQUIVALENTS

	2019	2018
Deposit accounts	\$ 22,547,816	\$ 24,746,663
Cash on hand	880	880
	<u>\$ 22,548,696</u>	<u>\$ 24,747,543</u>

3. ACCOUNTS RECEIVABLE

	2019	2018
Taxes and grants in place of taxes		
Arrears	\$ 562,017	\$ 513,590
Arrears on property held for tax recovery	40,652	40,652
Current	184,761	148,381
	787,430	702,623
Trade and other	4,551,447	2,850,586
Local improvement taxes	439,264	531,628
Goods and Services Tax	329,021	74,156
	6,107,162	4,158,993
Less: Allowance for doubtful accounts	(619,766)	(492,169)
	<u>\$ 5,487,396</u>	<u>\$ 3,666,824</u>

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

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	\$ 3,115,355	\$ 1,252,959	\$ (1,407,780)	\$ 2,960,534
Alberta Community Resilience Program	2,905,321	39,903	(2,181,442)	763,782
Other	615,341	68,160	(108,783)	574,718
Federal Gas Tax Funding	701,849	12,129	(300,561)	413,417
Alberta Community Partnership Program	281,796	6,051	(13,248)	274,599
Minister of Children's Services - Early Learning and Child Care Centre	70,560	889,898	(773,058)	187,400
	\$ 7,690,222	\$ 2,269,100	\$ (4,784,872)	\$ 5,174,450

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.

	2019	2018
Estimated post-closure costs	\$ 3,429,965	\$ 3,429,965
Estimated closure costs	2,597,915	2,597,915
Estimated total liability	6,027,880	6,027,880
Estimated capacity remaining	45.3 %	45.3 %
Portion of total liability remaining to be recognized	2,727,880	2,727,880
Estimated capacity used	54.7 %	54.7 %
Accrued liability portion	\$ 3,300,000	\$ 3,300,000

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

6. LONG-TERM DEBT

	<u>2019</u>	<u>2018</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.	\$ 6,263,263	\$ 7,252,950
Federation of Canadian Municipalities loan bearing interest at 4.000% per annum, requiring blended semi-annual payments of \$271,851 are required.	6,237,155	6,522,788
	<u>\$ 12,500,418</u>	<u>\$ 13,775,738</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2024	1,027,561	300,762	1,328,323
Thereafter	6,628,750	1,307,776	7,936,526
	<u>\$ 12,500,418</u>	<u>\$ 3,237,938</u>	<u>\$ 15,738,356</u>

Interest on long-term debt amounted to \$521,662 (2018 - \$516,291).

The Town's total cash payments for interest during 2019 were \$523,897 (2018 - \$564,106).

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>2019</u>	<u>2018</u>
Total debt limit	\$ 39,830,123	\$ 39,818,382
Total debt	(12,500,418)	(13,775,738)
Amount of debt limit unused	<u>\$ 27,329,705</u>	<u>\$ 26,042,644</u>
Service on debt limit	\$ 6,638,354	\$ 6,636,397
Service on debt	(1,755,381)	(1,799,217)
Amount of debt servicing limit unused	<u>\$ 4,882,973</u>	<u>\$ 4,837,180</u>

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

8. TANGIBLE CAPITAL ASSETS

		Net Book Value	
		2019	2018
Engineered structures			
Roads		\$ 27,086,540	\$ 24,319,487
Water systems		25,782,105	24,259,012
Sewer systems		18,835,355	15,109,859
Other		10,401,220	10,624,255
		82,105,220	74,312,613
Buildings		28,362,318	28,919,568
Land		7,716,194	7,716,194
Machinery and equipment		1,953,294	2,253,695
Vehicles		709,922	781,814
		\$ 120,846,948	\$ 113,983,884

	Cost Beginning of Year	Additions	Disposals	Write-downs	Cost End of Year
Engineered structures					
Roads	\$ 54,161,545	\$ 5,031,640	\$ -	\$ -	\$ 59,193,185
Water systems	41,350,074	3,255,869	-	-	44,605,943
Sewer systems	26,089,993	4,226,422	-	-	30,316,415
Other	18,018,235	231,247	-	-	18,249,482
	139,619,847	12,745,178	-	-	152,365,025
Buildings	41,528,778	405,525	-	-	41,934,303
Land	7,716,194	-	-	-	7,716,194
Machinery and equipment	6,068,032	10,689	(129,632)	-	5,949,089
Vehicles	2,483,455	30,375	(13,511)	-	2,500,319
	\$ 197,416,306	\$ 13,191,767	\$ (143,143)	\$ -	\$ 210,464,930

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Write-downs	Accumulated Amortization End of Year
Engineered structures					
Roads	\$ 29,842,058	\$ 2,264,587	\$ -	\$ -	\$ 32,106,645
Water systems	17,091,062	1,732,776	-	-	18,823,838
Sewer systems	10,980,134	500,926	-	-	11,481,060
Other	7,393,980	454,282	-	-	7,848,262
	65,307,234	4,952,571	-	-	70,259,805
Buildings	12,609,210	962,775	-	-	13,571,985
Machinery and equipment	3,814,337	291,357	(109,899)	-	3,995,795
Vehicles	1,701,641	102,267	(13,511)	-	1,790,397
	\$ 83,432,422	\$ 6,308,970	\$ (123,410)	\$ -	\$ 89,617,982

The costs above include \$3,530,943 (2018 - \$870,135) 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, 2019

9. ACCUMULATED SURPLUS

	2019	2018
Unrestricted surplus	\$ 5,252,991	\$ 4,514,926
Restricted surplus (<i>Note 10</i>)		
Operating reserves	481,722	390,608
Capital reserves	9,172,237	9,879,316
Equity in tangible capital assets (<i>Schedule 1</i>)	108,346,530	100,208,146
	\$123,253,480	\$114,992,996

10. RESERVES

	2019	2018
Operating Reserves:		
Operating contingency	\$ 525,000	\$ 525,000
Automated traffic enforcement	228,163	254,601
Landfill post-closure	(271,441)	(388,993)
	\$ 481,722	\$ 390,608
Capital Reserves:		
Carry-over projects	\$ 3,327,109	\$ 4,321,951
Pool	2,277,332	2,225,569
Landfill airspace depletion	1,103,074	902,316
General capital	1,000,000	1,000,000
Sewer capital	623,922	623,922
Water capital	475,925	475,925
Parkland capital	297,872	297,872
Storm capital	95,351	95,351
Affordable housing	60,027	43,445
Landfill capital equipment	(88,375)	(107,035)
	\$ 9,172,237	\$ 9,879,316

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 2019 fiscal year.

12. UTILITY FRANCHISE AGREEMENTS

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

	2019	2018
Fortis Alberta Inc.	\$ 824,979	\$ 802,163
Atco Gas	383,955	374,690
	\$ 1,208,934	\$ 1,176,853

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

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:

		Salary	2019 Benefits and Allowances	Total	2018 Total
Mayor	Michael Doerksen	\$ 67,944	\$ 9,044	\$ 76,988	\$ 73,769
Councillor	Dodds	57,600	4,823	62,423	55,274
Councillor	Ballas	49,256	8,137	57,393	53,054
Councillor	Gammana	52,672	4,582	57,254	48,496
Councillor	Peebles	44,104	4,719	48,823	52,185
Councillor	Wheeler	44,608	3,970	48,578	50,099
Councillor	McGee	36,516	7,228	43,744	4,025
Councillor	Butz	-	-	-	36,870
		\$ 352,700	\$ 42,503	\$ 395,203	\$ 373,772
Chief Administrative Officers					
	Winston Rossouw	\$ 188,181	\$ 48,053	\$ 236,234	\$ 97,016
	Dwight Dibben	-	-	-	293,194
	Pamela Livingston	-	-	-	130,565
		\$ 188,181	\$ 48,053	\$ 236,234	\$ 520,775
Designated Officers		\$ 320,177	\$ 74,231	\$ 394,408	\$ 500,265

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.

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.

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

15. CONTRIBUTED TANGIBLE CAPITAL ASSETS

Meraw Estates development has been completed and the Town now has ownership of the infrastructure completed by the developer. The Town has recorded the contributed tangible capital assets at their estimated fair values as follows:

	2019
Roads	\$ 3,398,331
Sewer systems	1,515,535
Water systems	<u>825,596</u>
	<u>\$ 5,739,462</u>

16. 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.

17. 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*).

18. BUDGET FIGURES

The 2019 budget data presented is based on the operating and capital budget approved by Council on May 8, 2019. The table below reconciles the approved financial plan to the figures reported in these consolidated financial statements.

	2019 (Budget)	2019 (Actual)
Annual surplus	13,710,764	8,260,484
Net transfers from (to) reserves	5,742,276	(615,965)
Acquisition of tangible capital assets	(18,177,720)	(13,191,767)
Debt principal repayments	<u>(1,275,320)</u>	<u>(1,275,320)</u>
	<u>\$ -</u>	<u>\$ (6,822,568)</u>

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

19. COMPARATIVE FIGURES

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

20. SUBSEQUENT EVENT

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization and on March 17, 2020 the Province of Alberta declared a public health emergency. Many businesses and individuals in a vast array of sectors may experience an economic loss due to COVID-19 which may have a financial effect on the Town. An estimate of the potential financial impact cannot be made at this time.

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved the consolidated financial statements.

DRAFT