

TOWN OF DRAYTON VALLEY
Consolidated Financial Statements
For the Year Ended December 31, 2020

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, 2020, 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, 2020, 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
April 21, 2021

TOWN OF DRAYTON VALLEY
Consolidated Statement of Financial Position
As at December 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	\$ 11,039,743	\$ 22,548,696
Receivables <i>(Note 3)</i>	9,140,485	5,487,396
Land inventory held for resale	286,274	286,274
	<u>20,466,502</u>	<u>28,322,366</u>
LIABILITIES		
Accounts payable and accrued liabilities	3,028,971	4,783,385
Deposits	313,268	310,764
Deferred revenue <i>(Note 4)</i>	3,649,226	5,174,450
Landfill closure and post-closure <i>(Note 5)</i>	3,650,000	3,300,000
Long-term debt <i>(Note 6)</i>	11,222,916	12,500,418
	<u>21,864,381</u>	<u>26,069,017</u>
NET FINANCIAL ASSETS (DEBT)	<u>(1,397,879)</u>	2,253,349
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 8)</i>	125,569,362	120,846,948
Inventory for consumption	88,651	125,965
Prepaid expenses and other assets	37,562	27,218
	<u>125,695,575</u>	<u>121,000,131</u>
ACCUMULATED SURPLUS <i>(Note 9)</i>	<u>\$124,297,696</u>	<u>\$123,253,480</u>
Contingencies <i>(Note 16)</i>		

ON BEHALF OF THE TOWN COUNCIL:

TOWN OF DRAYTON VALLEY
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2020

	2020 (Budget) <i>(Note 18)</i>	2020 (Actual)	2019 (Actual)
REVENUE			
Net taxation <i>(Schedule 2)</i>	\$ 9,992,246	\$ 10,040,589	\$ 10,802,103
Sales and user charges <i>(Schedule 4)</i>	8,961,742	7,627,163	8,474,011
Government transfers for operating <i>(Schedule 3)</i>	3,497,437	4,098,282	4,349,979
Franchise and concession contracts <i>(Note 12)</i>	1,329,219	1,190,421	1,208,934
Rentals	730,849	617,047	709,618
Penalties and costs on taxes	204,630	249,020	218,641
Investment income	483,765	165,425	454,571
Licenses and permits	254,000	80,009	201,599
Other	58,631	58,701	60,289
Fines	132,000	56,091	73,670
	<u>25,644,519</u>	<u>24,182,748</u>	<u>26,553,415</u>
EXPENSES			
Recreation and culture	4,167,203	4,158,055	4,780,079
Water and wastewater	3,445,050	3,889,742	3,206,347
Administration	3,031,445	2,746,733	2,485,836
Roads, streets, walks, and lighting	1,867,757	2,346,886	2,338,918
Waste management	1,594,573	2,329,031	1,563,556
Police	2,148,465	2,115,772	2,123,111
Public health and welfare	2,541,897	2,089,488	2,467,119
Common and equipment pool	1,929,467	1,961,929	1,470,850
Subdivision land and development	1,337,133	1,468,585	1,226,525
Fire and disaster services	1,033,101	895,944	995,348
Council	660,855	439,629	515,512
Airport	91,458	115,057	82,643
Bylaws enforcement	51,884	85,482	48,888
Amortization of tangible capital assets	-	6,671,680	6,308,970
	<u>23,900,288</u>	<u>31,314,013</u>	<u>29,613,702</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER REVENUE	<u>1,744,231</u>	<u>(7,131,265)</u>	<u>(3,060,287)</u>
OTHER REVENUE (EXPENSE)			
Government transfers for capital <i>(Schedule 3)</i>	14,870,770	7,992,366	5,576,706
Donations for tangible capital assets	186,405	132,704	10,000
Gain (loss) on disposal of tangible capital assets	-	50,411	(5,397)
Contributed tangible capital assets <i>(Note 15)</i>	-	-	5,739,462
	<u>15,057,175</u>	<u>8,175,481</u>	<u>11,320,771</u>
ANNUAL SURPLUS	16,801,406	1,044,216	8,260,484
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>123,253,480</u>	<u>123,253,480</u>	<u>114,992,996</u>
ACCUMULATED SURPLUS, END OF YEAR <i>(Note 7)</i>	<u>\$140,054,886</u>	<u>\$124,297,696</u>	<u>\$123,253,480</u>

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, 2020

	2020 (Budget) <i>(Note 18)</i>	2020 (Actual)	2019 (Actual)
ANNUAL SURPLUS	\$ 16,801,406	\$ 1,044,216	\$ 8,260,484
Acquisition of tangible capital assets	(25,788,705)	(11,408,539)	(7,452,305)
Contributed tangible capital assets <i>(Note 15)</i>	-	-	(5,739,462)
Proceeds on disposal of tangible capital assets	-	64,856	14,336
Amortization of tangible capital assets	-	6,671,680	6,308,970
Loss on disposal of tangible capital assets	-	(50,411)	5,397
	<u>(25,788,705)</u>	<u>(4,722,414)</u>	<u>(6,863,064)</u>
Use (acquisition) of prepaid expenses	-	(10,344)	182
Acquisition of inventory for consumption	-	37,314	(57,845)
	<u>-</u>	<u>26,970</u>	<u>(57,663)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(8,987,299)	(3,651,228)	1,339,757
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,253,349	2,253,349	913,592
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u>\$ (6,733,950)</u>	<u>\$ (1,397,879)</u>	<u>\$ 2,253,349</u>

TOWN OF DRAYTON VALLEY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Cash from operations		
Annual surplus	\$ 1,044,216	\$ 8,260,484
Non-cash items included in annual surplus		
Amortization of tangible capital assets	6,671,680	6,308,970
Contributed tangible capital assets (<i>Note 15</i>)	-	(5,739,462)
Provision for landfill closure and post-closure (recovery)	350,000	-
Loss on disposal of tangible capital assets	(50,411)	5,397
 Change in non-cash working capital balances related to operations:		
Receivables	(3,653,089)	(1,820,572)
Inventory for consumption	37,314	(57,845)
Accounts payable and accrued liabilities	(1,754,415)	2,058,793
Deposits	2,504	14,267
Prepaid expenses	(10,344)	182
Deferred revenue	(1,525,224)	(2,515,772)
	<u>1,112,231</u>	<u>6,514,442</u>
 FINANCING ACTIVITIES		
Repayment of long-term debt	(1,277,501)	(1,275,320)
	<u>(1,277,501)</u>	<u>(1,275,320)</u>
 CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	64,856	14,336
Purchase of tangible capital assets	(11,408,539)	(7,452,305)
	<u>(11,343,683)</u>	<u>(7,437,969)</u>
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(11,508,953)	(2,198,847)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,548,696	24,747,543
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 11,039,743	\$ 22,548,696

TOWN OF DRAYTON VALLEY
Schedule of Equity in Tangible Capital Assets
For the Year Ended December 31, 2020

Schedule 1

	2020	2019
BALANCE, BEGINNING OF YEAR	\$ 108,346,530	\$ 100,208,146
Acquisition of tangible capital assets	11,408,539	13,191,767
Amortization of tangible capital assets	(6,671,680)	(6,308,970)
Net book value of tangible capital assets disposed of	(14,445)	(19,733)
Long-term capital debt repayments	<u>1,277,501</u>	<u>1,275,320</u>
BALANCE, END OF YEAR	<u>\$ 114,346,445</u>	<u>\$ 108,346,530</u>
Equity in Tangible Capital Assets is Comprised of the Following:		
Tangible capital assets net book value	\$ 125,569,362	\$ 120,846,948
Long-term capital debt	<u>(11,222,916)</u>	<u>(12,500,418)</u>
	<u>\$ 114,346,446</u>	<u>\$ 108,346,530</u>

TOWN OF DRAYTON VALLEY
Schedule of Property Taxes
For the Year Ended December 31, 2020

Schedule 2

	2020 (Budget) <i>(Note 18)</i>	2020 (Actual)	2019 (Actual)
TAXATION			
Real property taxes	\$ 13,278,075	\$ 13,406,012	\$ 14,277,078
Linear property taxes	616,439	616,655	587,865
Government grants in place of property taxes	35,306	35,303	30,976
Special assessments and local improvement taxes	-	18,556	21,804
	<u>13,929,820</u>	<u>14,076,526</u>	<u>14,917,723</u>
REQUISITIONS			
Alberta School Foundation Fund	3,670,201	3,769,599	3,843,207
Brazeau Foundation	267,373	266,338	272,413
	<u>3,937,574</u>	<u>4,035,937</u>	<u>4,115,620</u>
NET MUNICIPAL TAXES	<u>\$ 9,992,246</u>	<u>\$ 10,040,589</u>	<u>\$ 10,802,103</u>

TOWN OF DRAYTON VALLEY
Schedule of Government Transfers
For the Year Ended December 31, 2020

Schedule 3

	2020 (Budget) (Note 18)	2020 (Actual)	2019 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 1,553,510	\$ 2,739,200	\$ 2,333,208
Local governments	1,881,427	1,303,331	2,016,771
Federal government	62,500	55,751	-
	<u>3,497,437</u>	<u>4,098,282</u>	<u>4,349,979</u>
TRANSFERS FOR CAPITAL			
Provincial government	11,903,914	6,164,123	4,453,882
Federal government	-	1,394,714	895,456
Local governments	2,966,856	433,529	227,368
	<u>14,870,770</u>	<u>7,992,366</u>	<u>5,576,706</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 18,368,207</u>	<u>\$ 12,090,648</u>	<u>\$ 9,926,685</u>

TOWN OF DRAYTON VALLEY
Schedule of Segmented Information
For the Year Ended December 31, 2020

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	2,055,036	2,082,921	-	2,423,572	2,345,125	200,285	933,650	10,040,589
Sales and user charges	35,354	95,552	6,866,744	352,206	200	215,048	62,059	7,627,163
Government transfers	625,340	843,458	-	1,003,289	-	1,525,651	100,544	4,098,282
All other	31,003	61,554	57,979	7,850	1,561	44,909	1,594,811	1,799,667
Rentals	-	13,714	-	371,142	-	103,596	128,595	617,047
	<u>2,746,733</u>	<u>3,097,199</u>	<u>6,924,723</u>	<u>4,158,059</u>	<u>2,346,886</u>	<u>2,089,489</u>	<u>2,819,659</u>	<u>24,182,748</u>
EXPENSES								
Wages and benefits	1,471,534	1,006,214	990,429	1,911,521	615,226	1,506,686	1,442,195	8,943,805
Contracted and general services	323,479	1,836,528	1,806,247	500,062	229,664	325,268	945,198	5,966,446
Professional fees	668,245	124,706	1,288,456	218,945	367,029	89,206	1,143,416	3,900,003
Repairs and maintenance	233,242	40,770	1,174,439	904,867	549,267	52,919	201,729	3,157,233
Utilities	93,024	60,216	531,870	457,239	551,277	30,709	146,552	1,870,887
Interest on long-term debt	6,358	-	292,562	59,675	34,423	62,319	24,093	479,430
Insurance	21,430	28,765	134,770	105,750	-	22,382	82,011	395,108
Provision (recovery) for allowances	(70,579)	-	-	-	-	-	-	(70,579)
	<u>2,746,733</u>	<u>3,097,199</u>	<u>6,218,773</u>	<u>4,158,059</u>	<u>2,346,886</u>	<u>2,089,489</u>	<u>3,985,194</u>	<u>24,642,333</u>
NET REVENUE, BEFORE AMORTIZATION	-	-	705,950	-	-	-	(1,165,535)	(459,585)
Amortization	285,783	15,363	2,420,409	606,867	2,542,721	272,753	527,784	6,671,680
NET REVENUE (DEFICIT)	\$ (285,783)	\$ (15,363)	\$ (1,714,459)	\$ (606,867)	\$ (2,542,721)	\$ (272,753)	\$ (1,693,319)	\$ (7,131,265)

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, 2019

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	2,126,419	2,140,759	-	1,969,374	2,178,284	99,631	2,287,636	10,802,103
Sales and user charges	42,147	53,850	6,971,324	830,897	1,653	458,662	115,478	8,474,011
Government transfers	-	873,773	-	1,554,589	158,980	1,731,862	30,775	4,349,979
All other	86,026	84,565	55,230	1,500	-	51,591	1,938,792	2,217,704
Rentals	-	14,400	-	423,718	-	125,373	146,127	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	922,613	5,456,590
Professional fees	766,326	164,140	945,999	368,941	704,341	117,292	1,060,531	4,127,570
Repairs and maintenance	43,405	54,975	576,202	626,532	428,302	18,198	217,647	1,965,261
Utilities	17,377	49,725	559,753	492,673	547,184	26,872	116,574	1,810,158
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
	<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	286,527	15,363	2,309,076	594,378	2,267,730	272,753	563,143	6,308,970
NET REVENUE (DEFICIT)	<u>\$ (286,527)</u>	<u>\$ (15,363)</u>	<u>\$ (52,424)</u>	<u>\$ (594,378)</u>	<u>\$ (2,267,730)</u>	<u>\$ (272,753)</u>	<u>\$ 428,888</u>	<u>\$ (3,060,287)</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, 2020

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-Arcs 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, 2020

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, 2020

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, 2022, 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, 2023, 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

	<u>2020</u>	<u>2019</u>
Deposit accounts	\$ 11,038,863	\$ 22,547,816
Cash on hand	880	880
	<u>\$ 11,039,743</u>	<u>\$ 22,548,696</u>

3. ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Taxes and grants in place of taxes		
Current	\$ (22,122)	\$ (184,761)
Arrears	1,024,204	931,539
Arrears on property held for tax recovery	40,652	40,652
	<u>1,042,734</u>	787,430
Trade and other	7,664,047	4,551,447
Goods and Services Tax	747,326	329,021
Local improvement taxes	343,653	439,264
	<u>9,797,760</u>	6,107,162
Less: Allowance for doubtful accounts	<u>(657,275)</u>	(619,766)
	<u>\$ 9,140,485</u>	<u>\$ 5,487,396</u>

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

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
Federal Gas Tax Funding	413,417	1,254,044	-	1,667,461
Municipal Sustainability Initiative				
Capital	\$ 2,960,534	\$ 1,721,984	\$ (3,918,401)	\$ 764,117
Other	574,718	134,915	(99,969)	609,664
Alberta Community Partnership Program	274,599	2,944	-	277,543
Minister of Children's Services - Early Learning and Child Care Centre	187,400	777,480	(692,960)	271,920
Municipal Stimulus Program	-	370,621	(312,100)	58,521
Alberta Community Resilience Program	763,782	4,072	(767,854)	-
	\$ 5,174,450	\$ 4,266,060	\$ (5,791,284)	\$ 3,649,226

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 ten years (2030). Cells C, D, and 3D essentially have no additional capacity.

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

	2020	2019
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	39.4 %	45.3 %
Portion of total liability remaining to be recognized	2,377,880	2,727,880
Estimated capacity used	60.6 %	54.7 %
Accrued liability portion	\$ 3,650,000	\$ 3,300,000

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

6. LONG-TERM DEBT

	<u>2020</u>	<u>2019</u>
Government of Alberta 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.	\$ 5,282,589	\$ 6,263,263
Federation of Canadian Municipalities loan bearing interest at 4.000% per annum, requiring blended semi-annual payments of \$271,851 are required.	5,940,327	6,237,155
	<u>\$ 11,222,916</u>	<u>\$ 12,500,418</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2025	981,374	260,667	1,242,041
Thereafter	5,647,375	1,047,109	6,694,484
	<u>\$ 11,222,916</u>	<u>\$ 2,760,058</u>	<u>\$ 13,982,974</u>

Interest on long-term debt amounted to \$479,430 (2019 - \$521,662).

The Town's total cash payments for interest during 2020 were \$477,880 (2019 - \$523,897).

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>2020</u>	<u>2019</u>
Total debt limit	\$ 36,274,122	\$ 39,830,123
Total debt	(11,222,916)	(12,500,418)
Amount of debt limit unused	<u>\$ 25,051,206</u>	<u>\$ 27,329,705</u>
Service on debt limit	\$ 6,045,687	\$ 6,638,354
Service on debt	(1,740,020)	(1,755,381)
Amount of debt servicing limit unused	<u>\$ 4,305,667</u>	<u>\$ 4,882,973</u>

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

8. TANGIBLE CAPITAL ASSETS

	Net Book Value	
	2020	2019
Engineered structures		
Roads	\$ 28,587,881	\$ 27,086,540
Water systems	25,146,441	25,782,105
Sewer systems	22,636,811	18,835,355
Other	11,202,170	10,401,220
	87,573,303	82,105,220
Buildings	27,702,953	28,362,318
Land	7,716,194	7,716,194
Machinery and equipment	1,882,242	1,953,294
Vehicles	694,670	709,922
	\$ 125,569,362	\$ 120,846,948

	Cost Beginning of Year	Additions	Disposals	Write-downs	Cost End of Year
Engineered structures					
Roads	\$ 59,193,185	\$ 4,040,919	\$ -	\$ -	\$ 63,234,104
Water systems	44,605,943	1,096,697	-	-	45,702,640
Sewer systems	30,316,415	4,405,149	-	-	34,721,564
Other	18,249,482	1,270,730	-	-	19,520,212
	152,365,025	10,813,495	-	-	163,178,520
Buildings	41,934,303	299,126	-	-	42,233,429
Land	7,716,194	-	-	-	7,716,194
Machinery and equipment	5,949,089	212,615	(304,044)	-	5,857,660
Vehicles	2,500,319	83,303	(38,439)	-	2,545,183
	\$ 210,464,930	\$ 11,408,539	\$ (342,483)	\$ -	\$ 221,530,986

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Write-downs	Accumulated Amortization End of Year
Engineered structures					
Roads	\$ 32,106,645	\$ 2,539,578	\$ -	\$ -	\$ 34,646,223
Water systems	18,823,838	1,732,361	-	-	20,556,199
Sewer systems	11,481,060	603,693	-	-	12,084,753
Other	7,848,262	469,780	-	-	8,318,042
	70,259,805	5,345,412	-	-	75,605,217
Buildings	13,571,985	958,491	-	-	14,530,476
Machinery and equipment	3,995,795	283,667	(304,044)	-	3,975,418
Vehicles	1,790,397	84,111	(23,995)	-	1,850,513
	\$ 89,617,982	\$ 6,671,681	\$ (328,039)	\$ -	\$ 95,961,624

The costs above include \$6,345,573 (2019 - \$3,530,943) 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, 2020

9. ACCUMULATED SURPLUS

	<u>2020</u>	<u>2019</u>
Unrestricted surplus	\$ 1,036,475	\$ 5,252,991
Restricted surplus (<i>Note 10</i>)		
Operating reserves	735,119	481,722
Capital reserves	8,179,657	9,172,237
Equity in tangible capital assets (<i>Schedule 1</i>)	<u>114,346,445</u>	<u>108,346,530</u>
	<u>\$ 124,297,696</u>	<u>\$ 123,253,480</u>

10. RESERVES

	<u>2020</u>	<u>2019</u>
Operating Reserves:		
Operating contingency	\$ 525,000	\$ 525,000
Landfill post-closure	190,971	(271,441)
Automated traffic enforcement	19,148	228,163
	<u>\$ 735,119</u>	<u>\$ 481,722</u>
Capital Reserves:		
Carry-over projects	\$ 2,809,439	\$ 3,327,109
Pool	2,295,898	2,277,332
General capital	1,000,000	1,000,000
Sewer capital	623,922	623,922
Landfill airspace depletion	615,156	1,103,074
Water capital	475,925	475,925
Parkland capital	297,872	297,872
Storm capital	95,351	95,351
Affordable housing	36,626	60,027
Landfill capital equipment	(70,532)	(88,375)
	<u>\$ 8,179,657</u>	<u>\$ 9,172,237</u>

11. CREDIT FACILITY

The Town is approved for a revolving demand loan of \$9,000,000 that is available for operating cash flows. The interest rate is set at prime minus 0.25%. The loan has not been drawn upon in the 2020 fiscal year.

12. UTILITY FRANCHISE AGREEMENTS

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

	<u>2020</u>	<u>2019</u>
Fortis Alberta Inc.	\$ 809,160	\$ 824,979
Atco Gas	381,261	383,955
	<u>\$ 1,190,421</u>	<u>\$ 1,208,934</u>

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

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	2020 Benefits and Allowances	Total	2019 Total
Mayor	Michael Doerksen	\$ 59,760	\$ 1,137	\$ 60,897	\$ 76,988
Councillor	Dodds	52,516	264	52,780	62,423
Councillor	Ballas	47,112	536	47,648	57,393
Councillor	Gammama	46,244	661	46,905	57,254
Councillor	Peebles	40,448	430	40,878	48,823
Councillor	Wheeler	38,680	606	39,286	48,578
Councillor	McGee	33,672	350	34,022	43,744
		\$ 318,432	\$ 3,984	\$ 322,416	\$ 395,203
Chief Administrative Officers					
	Winston Rossouw	\$ 191,945	\$ 48,883	\$ 240,828	\$ 236,234
		\$ 191,945	\$ 48,883	\$ 240,828	\$ 236,234
Designated Officers		\$ 371,777	\$ 85,614	\$ 457,391	\$ 394,408

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, 2020

15. CONTRIBUTED TANGIBLE CAPITAL ASSETS

During 2019, the Meraw Estates development was completed and the Town obtained ownership of the infrastructure completed by the developer. The Town has recorded the contributed tangible capital assets at their estimated fair values as follows:

	<u>2020</u>	<u>2019</u>
Roads	\$ -	\$ 3,398,331
Sewer systems	-	1,515,535
Water systems	-	825,596
	<u>\$ -</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.

The Town is a defendant in various lawsuits. Where the outcome of a claim against the Town is considered likely to result in a loss and the amount of the loss can be reasonably estimated, accrued liabilities have been recorded. Where the resulting potential losses, if any, cannot be determined or the occurrence of future events is unknown, accrued liabilities have not been established.

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 2020 budget data presented is based on the operating and capital budget approved by Council on May 6, 2020. The table below reconciles the approved financial plan to the figures reported in these consolidated financial statements.

	<u>2020</u> <u>(Budget)</u>	<u>2020</u> <u>(Actual)</u>
Annual surplus	16,801,406	1,044,216
Net transfers from (to) reserves	8,437,975	(739,183)
Acquisition of tangible capital assets	(25,788,705)	(11,408,539)
Debt principal repayments	(1,277,501)	(1,277,501)
Debenture proceeds	1,826,825	-
	<u>\$ -</u>	<u>\$ (12,381,007)</u>

19. CONTRACTUAL OBLIGATIONS

(a) Municipal Police Service

The Town entered into an Agreement with Government of Canada expiring March 31, 2032 for the employment of the Royal Canadian Mounted Police (RCMP) for the provision of policing services to the Town. Under the terms of the agreement, The Town shall pay the Government of Canada 70% of the actual policing service cost annually.

(b) Town of Drayton Valley Acquatic Centre Construction

The Town has entered a contract for the construction of a new aquatic centre in Drayton Valley for a total amount of \$21,936,934. At at December 31, 2020, \$241,308 of costs have been incurred. The project is anticipated to be completed in November 2022.

20. UNCERTAINTY DUE TO COVID-19

On March 11, 2020, the World Health Organization declared a global pandemic which has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused significant disruptions to businesses, governments, and other organizations resulting in an economic slow-down and increased volatility. Governments have responded with significant monetary and fiscal interventions designed to stabilize economic conditions.

While COVID-19 has not significantly impacted the Town's operations or financial condition to date, the rapidly evolving event, including health and safety conditions, economic environment and resulting government measures, creates a high level of uncertainty and risk that may have a financial impact on the Town's activities, operations and financial condition in the future.

21. COMPARATIVE FIGURES

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

22. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved the consolidated financial statements.
