

TOWN OF DRAYTON VALLEY
Consolidated Financial Statements
For the Year Ended December 31, 2022

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, 2022, 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, 2022, 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 19, 2023

TOWN OF DRAYTON VALLEY
Consolidated Statement of Financial Position
As at December 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	\$ 7,937,264	\$ 20,603,899
Investments <i>(Note 3)</i>	10,195,047	-
Receivables <i>(Note 4)</i>	6,688,071	8,695,943
Land inventory held for resale	286,274	286,274
	<u>25,106,656</u>	<u>29,586,116</u>
LIABILITIES		
Accounts payable and accrued liabilities	5,438,453	4,203,873
Deposits	1,249,359	1,162,776
Deferred revenue <i>(Note 5)</i>	5,832,837	6,794,226
Landfill closure and post-closure <i>(Note 6)</i>	4,214,000	3,870,000
Long-term debt <i>(Note 7)</i>	14,385,026	15,929,481
	<u>31,119,675</u>	<u>31,960,356</u>
NET DEBT	<u>(6,013,019)</u>	<u>(2,374,240)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 9)</i>	139,360,693	131,125,683
Inventory for consumption	188,266	158,118
Prepaid expenses and other assets	149,586	57,054
	<u>139,698,545</u>	<u>131,340,855</u>
ACCUMULATED SURPLUS <i>(Note 10)</i>	<u>\$133,685,526</u>	<u>\$128,966,615</u>
Contingencies <i>(Note 17)</i>		

ON BEHALF OF THE TOWN COUNCIL:

TOWN OF DRAYTON VALLEY
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2022

	2022 (Budget) <i>(Note 19)</i>	2022 (Actual)	2021 (Actual)
REVENUE			
Net taxation <i>(Schedule 2)</i>	\$ 11,008,951	\$ 10,913,247	\$ 10,640,128
Sales and user charges <i>(Schedule 4)</i>	9,316,606	8,962,573	8,143,584
Government transfers for operating <i>(Schedule 3)</i>	2,919,064	3,344,242	3,874,774
Franchise and concession contracts <i>(Note 13)</i>	1,251,418	1,435,547	1,245,386
Rentals	658,272	501,269	322,983
Licenses and permits	196,000	423,180	181,421
Investment income	188,299	355,916	67,186
Penalties and costs on taxes	245,003	315,676	272,163
Other	59,000	183,455	102,706
Fines	74,500	79,315	73,575
	<u>25,917,113</u>	<u>26,514,420</u>	<u>24,923,906</u>
EXPENSES			
Recreation and culture	4,454,346	4,510,627	3,237,360
Water and wastewater	3,023,194	3,206,022	2,727,970
Police	2,671,039	2,906,423	2,361,879
Public health and welfare	2,533,027	2,821,449	2,116,206
Administration	3,092,072	2,436,056	2,670,860
Roads, streets, walks, and lighting	1,984,516	1,995,030	1,868,712
Waste management	1,432,301	1,988,230	2,111,163
Common and equipment pool	1,310,443	1,575,617	1,360,979
Subdivision land and development	2,011,729	1,474,408	1,407,025
Fire and disaster services	1,003,012	1,006,630	876,412
Council	668,000	551,248	456,776
Airport	166,960	165,264	160,443
Bylaws enforcement	112,031	102,710	90,835
Amortization of tangible capital assets	6,383,785	7,625,678	7,108,198
	<u>30,846,455</u>	<u>32,365,392</u>	<u>28,554,818</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER REVENUE	<u>(4,929,342)</u>	<u>(5,850,972)</u>	<u>(3,630,912)</u>
OTHER REVENUE (EXPENSE)			
Government transfers for capital <i>(Schedule 3)</i>	8,764,499	9,806,410	7,798,170
Donations for tangible capital assets	152,608	758,544	-
Gain (loss) on disposal of tangible capital assets	-	4,929	(88,049)
Contributed tangible capital assets <i>(Note 16)</i>	-	-	589,710
	<u>8,917,107</u>	<u>10,569,883</u>	<u>8,299,831</u>
ANNUAL SURPLUS	3,987,765	4,718,911	4,668,919
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>128,966,615</u>	<u>128,966,615</u>	<u>124,297,696</u>
ACCUMULATED SURPLUS, END OF YEAR <i>(Note 8)</i>	<u>\$132,954,380</u>	<u>\$133,685,526</u>	<u>\$128,966,615</u>

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

TOWN OF DRAYTON VALLEY
Consolidated Statement of Changes in Net Debt
For the Year Ended December 31, 2022

	2022 (Budget) (Note 19)	2022 (Actual)	2021 (Actual)
ANNUAL SURPLUS	\$ 3,987,765	\$ 4,718,911	\$ 4,668,919
Acquisition of tangible capital assets	(14,098,824)	(15,860,683)	(12,201,133)
Contributed tangible capital assets (Note 16)	-	-	(589,710)
Proceeds on disposal of tangible capital assets	-	4,929	38,274
Amortization of tangible capital assets	6,383,785	7,625,678	7,108,198
Gain (loss) on disposal of tangible capital assets	-	(4,929)	88,049
	<u>(7,715,039)</u>	<u>(8,235,005)</u>	<u>(5,556,322)</u>
Use (acquisition) of prepaid expenses	-	(92,537)	(19,492)
Acquisition of inventory for consumption	-	(30,148)	(69,466)
	<u>-</u>	<u>(122,685)</u>	<u>(88,958)</u>
INCREASE (DECREASE) IN NET DEBT	(3,727,274)	(3,638,779)	(976,361)
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	(2,374,240)	(2,374,240)	(1,397,879)
NET DEBT, END OF YEAR	\$ (6,101,514)	\$ (6,013,019)	\$ (2,374,240)

TOWN OF DRAYTON VALLEY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Cash from operations		
Annual surplus	\$ 4,718,911	\$ 4,668,919
Non-cash items included in annual surplus		
Amortization of tangible capital assets	7,625,678	7,108,198
Contributed tangible capital assets (Note 16)	-	(589,710)
Provision for landfill closure and post-closure (recovery)	344,000	220,000
Gain (loss) on disposal of tangible capital assets	(4,929)	88,049
 Change in non-cash working capital balances related to operations:		
Receivables	2,007,872	444,542
Inventory for consumption	(30,148)	(69,467)
Accounts payable and accrued liabilities	1,234,575	1,174,903
Deposits	86,583	849,508
Prepaid expenses	(92,532)	(19,492)
Deferred revenue	(961,389)	3,145,000
	<u>14,928,621</u>	<u>17,020,450</u>
FINANCING ACTIVITIES		
Long-term debt proceeds	-	6,073,992
Repayment of long-term debt	(1,544,455)	(1,367,427)
	<u>(1,544,455)</u>	<u>4,706,565</u>
CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	4,929	38,274
Purchase of investments	(10,195,047)	-
Purchase of tangible capital assets	(15,860,683)	(12,201,133)
	<u>(26,050,801)</u>	<u>(12,162,859)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(12,666,635)	9,564,156
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	20,603,899	11,039,743
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 7,937,264	\$ 20,603,899

TOWN OF DRAYTON VALLEY
Schedule of Equity in Tangible Capital Assets
For the Year Ended December 31, 2022

Schedule 1

	2022	2021
BALANCE, BEGINNING OF YEAR	\$ 115,196,202	\$ 114,346,446
Acquisition of tangible capital assets	15,860,683	12,790,843
Amortization of tangible capital assets	(7,625,678)	(7,108,198)
Net book value of tangible capital assets disposed of	5	(126,324)
Long-term debt advances	-	(6,073,992)
Long-term capital debt repayments	1,544,455	1,367,427
BALANCE, END OF YEAR	\$ 124,975,667	\$ 115,196,202
Equity in Tangible Capital Assets is Comprised of the Following:		
Tangible capital assets net book value	\$ 139,360,693	\$ 131,125,683
Long-term capital debt	(14,385,026)	(15,929,481)
	\$ 124,975,667	\$ 115,196,202

TOWN OF DRAYTON VALLEY
Schedule of Net Taxation
For the Year Ended December 31, 2022

Schedule 2

	2022 (Budget) (Note 19)	2022 (Actual)	2021 (Actual)
TAXATION			
Real property taxes	\$ 14,248,442	\$ 14,158,766	\$ 13,902,957
Linear property taxes	611,354	611,354	607,090
Government grants in place of property taxes	34,540	34,539	33,499
Special assessments and local improvement taxes	-	7,980	11,478
	<u>14,894,336</u>	<u>14,812,639</u>	<u>14,555,024</u>
REQUISITIONS			
Alberta School Foundation Fund	3,609,769	3,626,117	3,644,201
Brazeau Foundation	268,679	266,269	263,859
Designated industrial property	6,937	7,006	6,836
	<u>3,885,385</u>	<u>3,899,392</u>	<u>3,914,896</u>
NET TAXATION	<u>\$ 11,008,951</u>	<u>\$ 10,913,247</u>	<u>\$ 10,640,128</u>

TOWN OF DRAYTON VALLEY
Schedule of Government Transfers
For the Year Ended December 31, 2022

Schedule 3

	2022 (Budget) (Note 19)	2022 (Actual)	2021 (Actual)
TRANSFERS FOR OPERATING			
Local governments	\$ 2,051,072	\$ 1,720,283	\$ 2,486,207
Provincial government	767,854	1,556,344	1,358,298
Federal government	100,138	67,615	30,269
	<u>2,919,064</u>	<u>3,344,242</u>	<u>3,874,774</u>
TRANSFERS FOR CAPITAL			
Provincial government	5,851,597	6,678,849	5,092,744
Local governments	2,912,902	2,642,090	2,600,542
Federal government	-	485,471	104,884
	<u>8,764,499</u>	<u>9,806,410</u>	<u>7,798,170</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 11,683,563</u>	<u>\$ 13,150,652</u>	<u>\$ 11,672,944</u>

TOWN OF DRAYTON VALLEY
Schedule of Segmented Information
For the Year Ended December 31, 2022

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	-	-	-	-	-	-	10,913,247	10,913,247
Sales and user charges	32,732	156,183	7,364,155	714,612	1,743	500,302	192,846	8,962,573
Government transfers	50,000	860,870	-	911,229	-	1,404,952	117,191	3,344,242
All other	95,350	91,155	60,277	42,800	432	73,029	2,430,046	2,793,089
Rentals	-	-	-	378,017	-	96,319	26,933	501,269
	<u>178,082</u>	<u>1,108,208</u>	<u>7,424,432</u>	<u>2,046,658</u>	<u>2,175</u>	<u>2,074,602</u>	<u>13,680,263</u>	<u>26,514,420</u>
EXPENSES								
Wages and benefits	1,461,047	1,145,396	1,068,356	2,231,343	630,876	2,012,866	1,621,730	10,171,614
Contracted and general services	259,681	2,641,444	1,374,007	583,540	69,736	319,614	561,667	5,809,689
Professional fees	543,223	92,079	1,346,876	410,661	522,826	343,029	1,119,348	4,378,042
Utilities	109,090	73,080	589,408	671,169	581,631	50,723	201,753	2,276,854
Repairs and maintenance	30,137	33,520	413,806	307,088	177,365	39,502	149,417	1,150,835
Interest on long-term debt	11,383	-	248,159	180,862	12,597	52,048	23,311	528,360
Insurance	22,639	30,241	153,639	125,964	-	31,415	87,687	451,585
Provision (recovery) for allowances	(27,265)	-	-	-	-	-	-	(27,265)
	<u>2,409,935</u>	<u>4,015,760</u>	<u>5,194,251</u>	<u>4,510,627</u>	<u>1,995,031</u>	<u>2,849,197</u>	<u>3,764,913</u>	<u>24,739,714</u>
NET REVENUE, BEFORE AMORTIZATION								
	(2,231,853)	(2,907,552)	2,230,181	(2,463,969)	(1,992,856)	(774,595)	9,915,350	1,774,706
Amortization	206,260	22,496	2,583,009	913,765	2,800,275	334,428	765,445	7,625,678
NET REVENUE (DEFICIT)	\$ (2,438,113)	\$ (2,930,048)	\$ (352,828)	\$ (3,377,734)	\$ (4,793,131)	\$ (1,109,023)	\$ 9,149,905	\$ (5,850,972)

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, 2021

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	2,498,703	2,379,122	-	874,053	1,868,016	515,489	2,504,745	10,640,128
Sales and user charges	32,775	48,645	7,197,892	329,318	-	463,082	71,872	8,143,584
Government transfers	43,710	815,362	-	1,765,597	-	1,025,181	224,924	3,874,774
All other	95,673	79,140	47,406	33,500	696	36,922	1,649,100	1,942,437
Rentals	-	6,857	-	234,889	-	75,533	5,704	322,983
	<u>2,670,861</u>	<u>3,329,126</u>	<u>7,245,298</u>	<u>3,237,357</u>	<u>1,868,712</u>	<u>2,116,207</u>	<u>4,456,345</u>	<u>24,923,906</u>
EXPENSES								
Wages and benefits	1,338,296	1,001,818	931,221	1,696,806	675,311	1,619,985	1,721,092	8,984,529
Contracted and general services	392,925	2,107,808	1,538,760	363,752	66,406	302,548	477,313	5,249,512
Professional fees	678,131	84,721	1,026,574	143,345	368,818	59,573	818,975	3,180,137
Utilities	96,027	62,028	457,948	460,007	553,045	33,509	146,626	1,809,190
Repairs and maintenance	44,764	41,653	471,356	364,904	182,067	16,948	112,649	1,234,341
Interest on long-term debt	7,388	-	270,228	93,070	23,065	57,307	24,912	475,970
Insurance	23,155	31,098	143,046	115,473	-	26,337	83,657	422,766
Provision (recovery) for allowances	90,175	-	-	-	-	-	-	90,175
	<u>2,670,861</u>	<u>3,329,126</u>	<u>4,839,133</u>	<u>3,237,357</u>	<u>1,868,712</u>	<u>2,116,207</u>	<u>3,385,224</u>	<u>21,446,620</u>
NET REVENUE, BEFORE AMORTIZATION	-	-	2,406,165	-	-	-	1,071,121	3,477,286
Amortization	291,611	16,659	2,598,709	692,577	2,673,329	272,942	562,371	7,108,198
NET REVENUE (DEFICIT)	<u>\$ (291,611)</u>	<u>\$ (16,659)</u>	<u>\$ (192,544)</u>	<u>\$ (692,577)</u>	<u>\$ (2,673,329)</u>	<u>\$ (272,942)</u>	<u>\$ 508,750</u>	<u>\$ (3,630,912)</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, 2022

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) Investments

Investments in equity instruments are recorded at cost. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. Investment income is recorded as revenue in the period it is earned.

(e) 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.

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) 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.

(l) 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>2022</u>	<u>2021</u>
Deposit accounts	\$ 7,936,184	\$ 20,602,819
Cash on hand	<u>1,080</u>	<u>1,080</u>
	\$ 7,937,264	\$ 20,603,899

3. INVESTMENTS

	<u>2022</u>	<u>2021</u>
Mutual funds	\$ 8,167,186	\$ -
Investment savings account	<u>2,027,861</u>	<u>-</u>
	\$ 10,195,047	\$ -

The market value of the mutual funds as at December 31, 2022 was \$8,001,468.

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

4. ACCOUNTS RECEIVABLE

	<u>2022</u>	<u>2021</u>
Taxes and grants in place of taxes		
Current	\$ 650,388	\$ 739,111
Arrears	198,541	416,025
Arrears on property held for tax recovery	40,652	40,652
	889,581	1,195,788
Trade and other	5,349,629	7,001,106
Goods and Services Tax	378,151	325,859
Local improvement taxes	142,191	244,671
	6,759,552	8,767,424
Less: Allowance for doubtful accounts	(71,481)	(71,481)
	\$ 6,688,071	\$ 8,695,943

5. DEFERRED REVENUE

Funding has been received under various government grant programs. The use of these funds is restricted to eligible projects as approved under the funding agreements.

	<u>Opening</u>	<u>Receipts</u>	<u>Revenue</u>	<u>Ending</u>
Canada Community-Building Fund	\$ 2,527,604	\$ 494,681	\$ -	\$ 3,022,285
Other	1,465,076	855,609	(1,225,358)	1,095,327
Municipal Sustainability Initiative				
Capital	1,782,305	882,395	(1,649,046)	1,015,654
Operating	-	66,655	-	66,655
Investing in Canada Infrastructure Program	1,019,241	6,094,187	(6,480,512)	632,916
Alberta Community Partnership				
	\$ 6,794,226	\$ 8,393,527	\$ (9,354,916)	\$ 5,832,837

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

6. 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 4D and Cell 4E is approximately eight years (2030). Cells C, D, 3D, 4A, 4B, and 4C essentially have no additional capacity. The Town has not designated assets for settling closure and post-closure liabilities.

	<u>2022</u>	<u>2021</u>
Estimated post-closure costs	\$ 3,640,440	\$ 3,429,965
Estimated closure costs	2,456,614	2,597,915
Estimated total liability	<u>6,097,054</u>	<u>6,027,880</u>
Estimated capacity remaining	30.9 %	35.8 %
Portion of total liability remaining to be recognized	<u>1,883,054</u>	<u>2,157,880</u>
Estimated capacity used	69.1 %	64.2 %
Accrued liability portion	<u>\$ 4,214,000</u>	<u>\$ 3,870,000</u>

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

7. LONG-TERM DEBT

	<u>2022</u>	<u>2021</u>
Government of Alberta debentures bearing interest at rates ranging from 1.13% to 5.15% per annum and maturing in years 2022 through 2046. Debenture debt is issued on the credit and security of the Town at large.	\$ 9,075,842	\$ 10,298,630
Federation of Canadian Municipalities loan bearing interest at 4.000% per annum, requiring blended semi-annual payments of \$271,851 are required.	5,309,184	5,630,851
	<u>\$ 14,385,026</u>	<u>\$ 15,929,481</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,271,305	\$ 474,625	\$ 1,745,930
2024	1,315,143	430,788	1,745,931
2025	1,274,515	385,132	1,659,647
2026	1,258,003	340,671	1,598,674
2027	856,752	297,914	1,154,666
Thereafter	8,409,308	1,801,677	10,210,985
	<u>\$ 14,385,026</u>	<u>\$ 3,730,807</u>	<u>\$ 18,115,833</u>

Interest on long-term debt amounted to \$528,360 (2021 - \$475,970).

The Town's total cash payments for interest during 2022 were \$360,867 (2021 - \$433,965).

8. 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>2022</u>	<u>2021</u>
Total debt limit	\$ 39,771,630	\$ 37,385,859
Total debt	(14,385,026)	(15,929,481)
Amount of debt limit unused	<u>\$ 25,386,604</u>	<u>\$ 21,456,378</u>
Service on debt limit	\$ 6,628,605	\$ 6,230,977
Service on debt	(1,745,930)	(2,067,390)
Amount of debt servicing limit unused	<u>\$ 4,882,675</u>	<u>\$ 4,163,587</u>

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

9. TANGIBLE CAPITAL ASSETS

	Net Book Value	
	2022	2021
Engineered structures		
Roads	\$ 24,254,645	\$ 26,830,852
Water systems	21,916,893	23,746,936
Sewer systems	22,785,549	22,005,181
Other	10,489,187	10,905,610
	79,446,274	83,488,579
Buildings	47,601,115	37,096,824
Land	7,716,194	7,716,194
Machinery and equipment	3,084,027	1,654,557
Vehicles	1,513,083	1,169,529
	\$ 139,360,693	\$ 131,125,683

	Cost Beginning of Year	Additions	Disposals	Write-downs & Transfers	Cost End of Year
Engineered structures					
Roads	\$ 64,147,261	\$ 133,407	\$ -	\$ (58,756)	\$ 64,221,912
Water systems	46,091,418	70,346	-	(262,207)	45,899,557
Sewer systems	34,740,415	1,232,849	-	183,136	36,156,400
Other	19,795,273	179,203	-	(3,199,959)	16,774,517
	164,774,367	1,615,805	-	(3,337,786)	163,052,386
Buildings	54,179,058	13,249,801	-	(1,315,290)	66,113,569
Land	7,716,194	-	-	-	7,716,194
Machinery and equipment	4,226,472	439,577	(35,501)	1,315,290	5,945,838
Vehicles	2,954,648	555,500	-	-	3,510,148
	\$ 233,850,739	\$ 15,860,683	\$ (35,501)	\$ (3,337,786)	\$ 246,338,135

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Write-downs & Transfers	Accumulated Amortization End of Year
Engineered structures					
Roads	\$ 37,316,409	\$ 2,709,614	\$ -	\$ (58,756)	\$ 39,967,267
Water systems	22,344,482	1,638,182	-	-	23,982,664
Sewer systems	12,735,234	714,696	-	(79,079)	13,370,851
Other	8,889,663	595,623	-	(3,199,956)	6,285,330
	81,285,788	5,658,115	-	(3,337,791)	83,606,112
Buildings	17,082,234	1,430,220	-	-	18,512,454
Machinery and equipment	2,571,915	325,397	(35,501)	-	2,861,811
Vehicles	1,785,119	211,946	-	-	1,997,065
	\$ 102,725,056	\$ 7,625,678	\$ (35,501)	\$ (3,337,791)	\$ 106,977,442

The costs above include \$574,306 (2021 - \$9,577,758) 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, 2022

10. ACCUMULATED SURPLUS

	<u>2022</u>	<u>2021</u>
Unrestricted surplus	\$ -	\$ 1,614,772
Restricted surplus (<i>Note 11</i>)		
Operating reserves	1,986,544	1,068,620
Capital reserves	6,723,315	11,087,021
Equity in tangible capital assets (<i>Schedule 1</i>)	124,975,667	115,196,202
	<u>\$133,685,526</u>	<u>\$128,966,615</u>

11. RESERVES

	<u>2022</u>	<u>2021</u>
Operating Reserves:		
Landfill post-closure	\$ 1,027,968	\$ 537,346
Operating contingency	952,302	525,000
Automated traffic enforcement	6,274	6,274
	<u>\$ 1,986,544</u>	<u>\$ 1,068,620</u>
Capital Reserves:		
Carry-over projects	\$ 3,666,164	\$ 6,595,763
Landfill airspace depletion	1,113,049	845,639
General capital	1,000,000	1,000,000
Water capital	399,931	475,925
Parkland capital	297,872	297,872
Education	199,358	32,981
Storm capital	95,351	95,351
Sewer capital	70,922	623,922
Other	55,018	-
Perpetual care	2,874	-
Pool	-	1,177,048
Landfill capital equipment	(27,200)	(50,473)
Affordable housing	(150,024)	(7,007)
	<u>\$ 6,723,315</u>	<u>\$ 11,087,021</u>

12. CREDIT FACILITY

The Town is approved for a revolving demand loan of \$3,200,000 that is available for operating cash flows. The interest rate is set at prime minus 0.91%. The loan has not been drawn upon in the 2022 fiscal year.

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

13. UTILITY FRANCHISE AGREEMENTS

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

	<u>2022</u>	<u>2021</u>
Fortis Alberta Inc.	\$ 937,456	\$ 863,033
Atco Gas	498,091	382,353
	<u>\$ 1,435,547</u>	<u>\$ 1,245,386</u>

14. 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	2022 Benefits and Allowances	Total	2021 Total
Mayor	Nancy Dodds	\$ 76,336	\$ 20,572	\$ 96,908	\$ 16,236
Mayor	Michael Doerksen	-	-	-	46,042
Councillor	Sherriffs	49,968	15,498	65,466	13,382
Councillor	Clarke	45,116	14,826	59,942	11,186
Councillor	Ballas	45,276	8,553	53,829	48,274
Councillor	Gammana	39,564	14,059	53,623	46,647
Councillor	Evans	38,910	13,965	52,875	8,775
Councillor	McGee	36,624	11,483	48,107	39,314
Councillor	Wheeler	-	-	-	29,677
Councillor	Peebles	-	-	-	32,132
Councillor	Dodds	-	-	-	41,450
		<u>\$ 331,794</u>	<u>\$ 98,956</u>	<u>\$ 430,750</u>	<u>\$ 333,115</u>
Chief Administrative Officers		<u>\$ 183,600</u>	<u>\$ 40,502</u>	<u>\$ 224,102</u>	<u>\$ 423,820</u>
Designated Officers		<u>\$ 311,745</u>	<u>\$ 68,771</u>	<u>\$ 380,516</u>	<u>\$ 336,669</u>

Salary includes regular base pay, bonuses, overtime, lump sum payments, and any other direct cash remuneration.

Employer's share of all employee benefits and contributions or payments made on behalf of employee's include: pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, professional memberships and tuition.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including travel allowances and car allowances.

15. 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.

16. CONTRIBUTED TANGIBLE CAPITAL ASSETS

During 2021, the Town purchased a building with a purchase price in the amount of \$1,562,710 and the vendor only required cash consideration in the amount of \$673,000 with the difference being a gift in the amount of \$589,710 and a sponsorship agreement of \$300,000.

17. 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.

18. 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*).

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

19. BUDGET FIGURES

The 2022 budget data presented is based on the operating and capital budget approved by Council on February 9, 2022. The table below reconciles the approved financial plan to the figures reported in these consolidated financial statements.

	2022 (Budget)	2022 (Actual)
Annual surplus	3,987,765	4,718,911
Amortization expense	6,383,785	7,625,678
Net transfers from (to) reserves	1,808,679	(3,445,782)
Acquisition of tangible capital assets	(14,098,824)	(15,860,683)
Debt principal repayments	(1,544,456)	(1,544,455)
Debenture proceeds	2,965,492	-
	<u>\$ (497,559)</u>	<u>\$ (8,506,331)</u>

20. 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.

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved the consolidated financial statements.
