

TOWN OF DRAYTON VALLEY
Consolidated Financial Statements
For the Year Ended December 31, 2023

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, 2023, and the consolidated statements of operations and accumulated surplus, changes in net financial assets, remeasurement gains and losses and cash flows for the year then ended, and notes to the financial statements, including 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, 2023, the consolidated results of its operations and accumulated surplus, changes in its net financial assets, remeasurement gains and losses 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 1, 2024

TOWN OF DRAYTON VALLEY
Consolidated Statement of Financial Position
As at December 31, 2023

	2023	2022 (Restated) (Note 19)
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 6,855,962	\$ 7,937,264
Investments (Note 3)	10,528,465	10,195,047
Receivables (Note 4)	3,458,677	6,688,071
Land inventory held for resale	286,274	286,274
	<u>21,129,378</u>	<u>25,106,656</u>
LIABILITIES		
Accounts payable and accrued liabilities	2,653,049	5,438,453
Deposits	1,398,238	1,249,359
Deferred revenue (Note 5)	4,614,589	5,832,837
Asset retirement obligations (Note 6)	5,935,594	5,740,903
Long-term debt (Note 7)	13,113,720	14,385,026
	<u>27,715,190</u>	<u>32,646,578</u>
NET DEBT	<u>(6,585,812)</u>	<u>(7,539,922)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	140,613,009	143,958,793
Inventory for consumption	229,479	188,266
Prepaid expenses and other assets	219,842	149,586
	<u>141,062,330</u>	<u>144,296,645</u>
ACCUMULATED SURPLUS (Note 10)	<u>\$134,476,518</u>	<u>\$136,756,723</u>
ACCUMULATED SURPLUS IS COMPRISED OF:		
Accumulated surplus from operations	134,643,540	136,756,723
Accumulated remeasurement losses	(167,022)	-
	<u>\$134,476,518</u>	<u>\$136,756,723</u>

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, 2023

	2023 (Budget) (Note 18)	2023 (Actual)	2022 (Actual) (Restated) (Note 19)
REVENUE			
Net taxation (Schedule 2)	\$ 11,782,001	\$ 11,855,958	\$ 10,913,247
Sales and user charges (Schedule 4)	9,184,437	9,123,071	8,830,663
Government transfers for operating (Schedule 3)	2,640,280	3,810,006	3,344,242
Franchise and concession contracts (Note 13)	1,251,418	1,372,365	1,435,547
Rentals	779,592	802,601	633,178
Investment income	325,000	663,370	355,916
Penalties and costs on taxes	320,411	281,228	315,676
Other	93,750	189,071	183,455
Licenses and permits	198,500	150,322	423,180
Fines	130,500	134,238	79,315
	<u>26,705,889</u>	<u>28,382,230</u>	<u>26,514,419</u>
EXPENSES			
Recreation and culture	4,737,298	5,177,351	4,510,627
Water and wastewater	2,966,734	2,966,889	3,206,022
Administration	3,265,747	2,954,869	2,436,056
Public health and welfare	2,378,627	2,636,959	2,821,449
Police	2,950,328	2,615,739	2,906,423
Waste management	1,372,679	1,755,267	2,175,479
Roads, streets, walks, and lighting	2,049,924	1,737,349	1,995,030
Fire and disaster services	1,112,614	1,591,866	1,006,630
Common and equipment pool	1,384,388	1,448,605	1,575,617
Subdivision land and development	1,747,391	1,364,999	1,474,408
Council	570,230	549,882	551,248
Airport	161,000	160,510	165,264
Bylaws enforcement	140,577	132,572	102,710
Amortization of tangible capital assets	6,383,785	8,774,504	8,195,335
	<u>31,221,322</u>	<u>33,867,361</u>	<u>33,122,298</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER REVENUE	<u>(4,515,433)</u>	<u>(5,485,131)</u>	<u>(6,607,879)</u>
OTHER REVENUE (EXPENSE)			
Government transfers for capital (Schedule 3)	4,966,441	3,119,038	9,806,410
Donations for tangible capital assets	34,000	263,945	758,544
Gain (loss) on disposal of tangible capital assets	-	(11,035)	4,929
	<u>5,000,441</u>	<u>3,371,948</u>	<u>10,569,883</u>
ANNUAL SURPLUS (DEFICIT)	485,008	(2,113,183)	3,962,004
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>136,756,723</u>	<u>136,756,723</u>	<u>132,794,719</u>
ACCUMULATED SURPLUS, END OF YEAR (Note 8)	<u>\$137,241,731</u>	<u>\$134,643,540</u>	<u>\$136,756,723</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, 2023

	2023 (Budget) (Note 18)	2023 (Actual)	2022 (Actual) (Restated) (Note 19)
ANNUAL SURPLUS (DEFICIT)	\$ 485,008	\$ (2,113,183)	\$ 3,962,004
Acquisition of tangible capital assets	(7,311,938)	(5,439,755)	(15,860,683)
Proceeds on disposal of tangible capital assets	-	-	4,929
Amortization of tangible capital assets	6,383,785	8,774,504	8,195,335
Gain (loss) on disposal of tangible capital assets	-	11,035	(4,929)
	<u>(928,153)</u>	<u>3,345,784</u>	<u>(7,665,348)</u>
Use (acquisition) of prepaid expenses	-	(70,256)	(92,537)
Acquisition of inventory for consumption	-	(41,213)	(30,148)
Unrealized remeasurement gains (losses)	-	(167,022)	-
	<u>-</u>	<u>(278,491)</u>	<u>(122,685)</u>
INCREASE (DECREASE) IN NET DEBT	(443,145)	954,110	(3,826,029)
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	(7,539,922)	(7,539,922)	(3,713,893)
NET DEBT, END OF YEAR	\$ (7,983,067)	\$ (6,585,812)	\$ (7,539,922)

TOWN OF DRAYTON VALLEY
Consolidated Statement of Remeasurement Gains and Losses
For the Year Ended December 31, 2023

	2023 (Budget) <i>(Note 18)</i>	2023 (Actual)	2022 (Actual)
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF YEAR	-	-	-
Unrealized gains (losses) attributable to:			
Mutual funds <i>(Note 3)</i>	-	(167,022)	-
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF YEAR	-	(167,022)	-

TOWN OF DRAYTON VALLEY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2023

	2023	2022 (Restated) (Note 19)
OPERATING ACTIVITIES		
Cash from operations		
Annual surplus (deficit)	\$ (2,113,183)	\$ 3,962,004
Non-cash items included in annual surplus		
Amortization of tangible capital assets	8,774,504	8,195,335
Gain (loss) on disposal of tangible capital assets	11,035	(4,929)
Accretion of asset retirement obligations	194,691	695,834
 Change in non-cash working capital balances related to operations:		
Receivables	3,229,394	2,007,872
Inventory for consumption	(41,213)	(30,148)
Accounts payable and accrued liabilities	(2,785,404)	1,234,575
Deposits	148,879	86,583
Prepaid expenses	(70,256)	(92,532)
Deferred revenue	(1,218,248)	(961,389)
	<u>6,130,199</u>	<u>15,093,205</u>
 FINANCING ACTIVITIES		
Repayment of long-term debt	(1,271,306)	(1,544,455)
	<u>(1,271,306)</u>	<u>(1,544,455)</u>
 CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	-	4,929
Purchase of investments	(500,440)	(10,195,047)
Purchase of tangible capital assets	(5,439,755)	(15,860,683)
	<u>(5,940,195)</u>	<u>(26,050,801)</u>
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(1,081,302)	(12,502,051)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,101,848	20,603,899
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 7,020,546	\$ 8,101,848

TOWN OF DRAYTON VALLEY
Schedule of Equity in Tangible Capital Assets
For the Year Ended December 31, 2023

Schedule 1

	2023	2022
BALANCE, BEGINNING OF YEAR	\$ 123,832,864	\$ 114,974,890
Acquisition of tangible capital assets	5,439,755	15,860,683
Amortization of tangible capital assets	(8,774,504)	(8,195,335)
Net book value of tangible capital assets disposed of	(11,035)	5
Accretion of asset retirement obligations	(194,691)	(351,834)
Long-term capital debt repayments	1,271,306	1,544,455
BALANCE, END OF YEAR	\$ 121,563,695	\$ 123,832,864
Equity in Tangible Capital Assets is Comprised of the Following:		
Tangible capital assets net book value	\$ 140,613,009	\$ 143,958,793
Asset retirement obligations	(5,935,594)	(5,740,903)
Long-term capital debt	(13,113,720)	(14,385,026)
	\$ 121,563,695	\$ 123,832,864

TOWN OF DRAYTON VALLEY
Schedule of Net Taxation
For the Year Ended December 31, 2023

Schedule 2

	2023 (Budget) (Note 18)	2023 (Actual)	2022 (Actual)
TAXATION			
Real property taxes	\$ 14,947,645	\$ 14,854,676	\$ 14,158,766
Linear property taxes	644,962	668,262	611,354
Government grants in place of property taxes	72,438	36,773	34,539
Special assessments and local improvement taxes	-	4,197	7,980
	<u>15,665,045</u>	<u>15,563,908</u>	<u>14,812,639</u>
REQUISITIONS			
Alberta School Foundation Fund	3,609,769	3,437,521	3,626,117
Brazeau Foundation	266,269	263,401	266,269
Designated industrial property	7,006	7,028	7,006
	<u>3,883,044</u>	<u>3,707,950</u>	<u>3,899,392</u>
NET TAXATION	<u>\$ 11,782,001</u>	<u>\$ 11,855,958</u>	<u>\$ 10,913,247</u>

TOWN OF DRAYTON VALLEY
Schedule of Government Transfers
For the Year Ended December 31, 2023

Schedule 3

	2023 (Budget) (Note 18)	2023 (Actual)	2022 (Actual)
TRANSFERS FOR OPERATING			
Local governments	\$ 1,953,363	\$ 2,054,008	\$ 1,720,283
Provincial government	680,667	1,755,998	1,556,344
Federal government	6,250	-	67,615
	<u>2,640,280</u>	<u>3,810,006</u>	<u>3,344,242</u>
TRANSFERS FOR CAPITAL			
Provincial government	4,463,791	3,078,438	6,678,849
Local governments	502,650	40,600	2,642,090
Federal government	-	-	485,471
	<u>4,966,441</u>	<u>3,119,038</u>	<u>9,806,410</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 7,606,721</u>	<u>\$ 6,929,044</u>	<u>\$ 13,150,652</u>

TOWN OF DRAYTON VALLEY
Schedule of Segmented Information
For the Year Ended December 31, 2023

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	-	-	-	-	-	-	11,855,958	11,855,958
Sales and user charges	32,732	104,479	7,238,365	1,080,691	2,190	644,838	19,776	9,123,071
Government transfers	-	898,722	-	1,243,023	-	1,370,891	297,370	3,810,006
All other	75,913	149,078	65,714	32,050	331	48,413	2,419,095	2,790,594
Rentals	-	-	-	377,033	-	224,492	201,076	802,601
	<u>108,645</u>	<u>1,152,279</u>	<u>7,304,079</u>	<u>2,732,797</u>	<u>2,521</u>	<u>2,288,634</u>	<u>14,793,275</u>	<u>28,382,230</u>
EXPENSES								
Wages and benefits	1,759,640	1,218,540	1,084,555	2,838,936	540,864	1,867,210	2,171,530	11,481,275
Contracted and general services	209,176	2,287,575	1,058,130	598,561	49,126	323,039	1,320,939	5,846,546
Professional fees	408,187	142,217	900,983	233,174	245,747	259,746	872,954	3,063,008
Utilities	112,403	72,101	551,239	746,429	557,232	47,734	187,774	2,274,912
Repairs and maintenance	12,832	64,058	498,003	308,134	339,951	91,513	157,440	1,471,931
Interest on long-term debt	9,761	-	229,571	169,967	4,429	46,531	18,228	478,487
Insurance	26,837	34,457	165,934	132,394	-	25,360	88,703	473,685
Provision (recovery) for allowances	3,013	-	-	-	-	-	-	3,013
	<u>2,541,849</u>	<u>3,818,948</u>	<u>4,488,415</u>	<u>5,027,595</u>	<u>1,737,349</u>	<u>2,661,133</u>	<u>4,817,568</u>	<u>25,092,857</u>
NET REVENUE, BEFORE AMORTIZATION	<u>(2,433,204)</u>	<u>(2,666,669)</u>	<u>2,815,664</u>	<u>(2,294,798)</u>	<u>(1,734,828)</u>	<u>(372,499)</u>	<u>9,975,707</u>	<u>3,289,373</u>
Amortization	<u>222,164</u>	<u>83,186</u>	<u>3,304,276</u>	<u>1,253,425</u>	<u>2,815,897</u>	<u>354,674</u>	<u>740,882</u>	<u>8,774,504</u>
NET REVENUE (DEFICIT)	<u>\$ (2,655,368)</u>	<u>\$ (2,749,855)</u>	<u>\$ (488,612)</u>	<u>\$ (3,548,223)</u>	<u>\$ (4,550,725)</u>	<u>\$ (727,173)</u>	<u>\$ 9,234,825</u>	<u>\$ (5,485,131)</u>

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, 2022

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	-	-	-	-	-	-	10,913,247	10,913,247
Sales and user charges	32,732	156,183	7,364,155	714,612	1,743	500,302	60,936	8,830,663
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	158,842	633,178
	<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>13,680,262</u>	<u>26,514,419</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	748,916	5,996,938
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>3,952,162</u>	<u>24,926,963</u>
NET REVENUE, BEFORE AMORTIZATION								
	(2,231,853)	(2,907,552)	2,230,181	(2,463,969)	(1,992,856)	(774,595)	9,728,100	1,587,456
Amortization	<u>206,261</u>	<u>22,496</u>	<u>3,152,664</u>	<u>913,765</u>	<u>2,800,275</u>	<u>334,428</u>	<u>765,446</u>	<u>8,195,335</u>
NET REVENUE (DEFICIT)	<u>\$ (2,438,114)</u>	<u>\$ (2,930,048)</u>	<u>\$ (922,483)</u>	<u>\$ (3,377,734)</u>	<u>\$ (4,793,131)</u>	<u>\$ (1,109,023)</u>	<u>\$ 8,962,654</u>	<u>\$ (6,607,879)</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, 2023

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) 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, asset retirement obligations, as well as provisions made for allowances for amounts receivable or any provision for impairment.

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Valuation of Financial Assets and Liabilities

The Town's financial assets and liabilities are measured as follows:

Cash	Cost and amortized cost
Investments	Fair value and amortized cost
Receivables	Lower of cost or net recoverable value
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Long-term debt	Amortized cost

(e) 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.

(f) Investments

Investments in derivatives and equity instruments quoted in an active market are carried at fair value with transaction costs expensed upon initial recognition. Unrealized gains and losses from changes in the fair value are recognized in the statement of remeasurement gains and losses. When the investment is disposed of the accumulated gains or losses are reclassified to the statement of operations. Investments in interest bearing securities are recorded at amortized cost. Investment premiums and discounts are amortized on over the term of the respective investments. When 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.

(g) 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.

(h) Asset Retirement Obligations

Asset retirement obligations are legal obligations associated with the retirement of tangible capital assets. Asset retirement activities include all activities relating to an asset retirement obligation including, but not limited to, decommissioning or dismantling, remediation of contamination, post-retirement activities such as monitoring, and constructing other tangible capital assets to perform post-retirement activities.

A liability for asset retirement obligation is recognized when there is a legal obligation to incur retirement costs, the past transaction or event giving rise to the liability as occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made.

When a liability for asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying value of the related asset and are amortized over the estimated useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) New Accounting Standards not yet Adopted

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>2023</u>	<u>2022</u>
Deposit accounts	\$ 6,854,682	\$ 7,936,184
Cash on hand	1,280	1,080
	<u>\$ 6,855,962</u>	<u>\$ 7,937,264</u>

3. INVESTMENTS

	<u>2023</u>	<u>2022</u>
Mutual funds (a)	\$ 10,486,562	\$ 8,167,186
Investment savings account	41,903	2,027,861
	<u>\$ 10,528,465</u>	<u>\$ 10,195,047</u>

The fair value measurements are those derived from:

- (a) Level 1 - quoted prices in active markets for identical assets.
 - (b) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
-

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2023

4. ACCOUNTS RECEIVABLE

	<u>2023</u>	<u>2022</u>
Taxes and grants in place of taxes		
Current	\$ 487,709	\$ 650,388
Arrears	160,241	198,541
Arrears on property held for tax recovery	<u>40,652</u>	<u>40,652</u>
	688,602	889,581
Trade and other	2,583,161	5,349,629
Goods and Services Tax	249,415	378,151
Local improvement taxes	<u>72,181</u>	<u>142,191</u>
	3,593,359	6,759,552
Less: Allowance for doubtful accounts	<u>(134,682)</u>	<u>(71,481)</u>
	\$ 3,458,677	\$ 6,688,071

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>
Municipal Sustainability Initiative				
Capital	\$ 1,015,654	\$ 920,462	\$ (182,267)	\$ 1,753,849
Operating	66,655	133,310	(199,965)	-
Other	1,095,327	584,142	(474,048)	1,205,421
Canada Community-Building Fund	3,022,285	552,715	(2,584,882)	990,118
Investing in Canada Infrastructure Program	632,916	1,707,135	(1,674,850)	665,201
Alberta Community Partnership				
	<u>\$ 5,832,837</u>	<u>\$ 3,897,764</u>	<u>\$ (5,116,012)</u>	<u>\$ 4,614,589</u>

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2023

6. ASSET RETIREMENT OBLIGATIONS

(a) Landfill

The Town operates a landfill site and is legally required to perform closure and post-closure activities upon retirement of this site. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The Town's undiscounted future cash flows expected are a closure cost in year 2030 of \$2,935,901 with annual post-closure activities starting in year 2030 of \$195,000 per year, increasing at an annual inflation rate of 2.8%, for 25 years to year 2054. The estimated total liability of \$5,384,852 (2022 - \$5,216,387) is based on the sum of discounted future cash flows for closure and post-closure activities using a discount rate of 5.0%. The Town has not designated assets for settling closure and post-closure liabilities.

	<u>2023</u>	<u>2022</u>
Balance, beginning of the year	\$ 5,216,387	\$ 5,054,101
Accretion expense	<u>168,465</u>	<u>162,286</u>
Balance, end of the year	<u>\$ 5,384,852</u>	<u>\$ 5,216,387</u>

(b) Asbestos abatement

The Town has asset retirement obligations to remove various hazardous materials including, asbestos, lead, mercury, and mold from buildings under its control. Regulations require the Town to handle and dispose of these materials in a prescribed manner when it is disturbed, such as when the building undergoes renovations or is demolished. Although the timing of the removal is conditional on the building undergoing renovations or being demolished, regulations create an existing obligation for the Town. The estimated liability is based on the sum of discounted future cash flows using a discount rate of 5.0% and inflation rate of 2.8%. The Town has not designated assets for settling asbestos abatement.

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 524,516	\$ 499,552
Accretion expense	<u>26,226</u>	<u>24,964</u>
Balance, end of the year	<u>\$ 550,742</u>	<u>\$ 524,516</u>

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2023

7. LONG-TERM DEBT

	<u>2023</u>	<u>2022</u>
Government of Alberta debentures bearing interest at fixed 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.	\$ 8,139,199	\$ 9,075,842
Federation of Canadian Municipalities loan bearing interest at 4.000% per annum, requiring blended semi-annual payments of \$271,851 are required.	4,974,521	5,309,184
	<u>\$ 13,113,720</u>	<u>\$ 14,385,026</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2028	739,934	265,804	1,005,738
Thereafter	7,669,373	1,535,873	9,205,246
	<u>\$ 13,113,720</u>	<u>\$ 3,256,182</u>	<u>\$ 16,369,902</u>

Interest on long-term debt amounted to \$478,487 (2022 - \$528,360).

The Town's total cash payments for interest during 2023 were \$319,656 (2022 - \$360,867).

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>2023</u>	<u>2022</u>
Total debt limit	\$ 42,573,345	\$ 39,771,629
Total debt	(13,113,720)	(14,385,026)
Amount of debt limit unused	<u>\$ 29,459,625</u>	<u>\$ 25,386,603</u>
Service on debt limit	\$ 7,095,558	\$ 6,628,605
Service on debt	(1,745,931)	(1,745,930)
Amount of debt servicing limit unused	<u>\$ 5,349,627</u>	<u>\$ 4,882,675</u>

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2023

9. TANGIBLE CAPITAL ASSETS

	Net Book Value	
	2023	2022
Engineered structures		
Roads	\$ 24,466,242	\$ 24,254,645
Water systems	20,467,526	21,916,893
Sewer systems	22,134,754	22,785,549
Other	14,828,311	14,981,721
	81,896,833	83,938,808
Buildings	46,574,354	47,706,681
Land	7,716,194	7,716,194
Machinery and equipment	3,027,107	3,084,027
Vehicles	1,398,521	1,513,083
	\$ 140,613,009	\$ 143,958,793

	Cost Beginning of Year	Additions	Disposals	Write-downs & Transfers	Cost End of Year
Engineered structures					
Roads	\$ 64,221,912	\$ 2,936,833	\$ -	\$ -	\$ 67,158,745
Water systems	45,899,557	185,461	-	-	46,085,018
Sewer systems	36,156,400	114,884	-	-	36,271,284
Other	21,828,618	1,101,128	-	-	22,929,746
	168,106,487	4,338,306	-	-	172,444,793
Buildings	66,278,153	601,554	-	-	66,879,707
Land	7,716,194	-	-	-	7,716,194
Machinery and equipment	5,945,838	393,696	(25,796)	-	6,313,738
Vehicles	3,510,148	106,199	-	-	3,616,347
	\$ 251,556,820	\$ 5,439,755	\$ (25,796)	\$ -	\$ 256,970,779

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Write-downs & Transfers	Accumulated Amortization End of Year
Engineered structures					
Roads	\$ 39,967,267	\$ 2,725,236	\$ -	\$ -	\$ 42,692,503
Water systems	23,982,664	1,634,828	-	-	25,617,492
Sewer systems	13,370,851	765,679	-	-	14,136,530
Other	6,846,897	1,254,538	-	-	8,101,435
	84,167,679	6,380,281	-	-	90,547,960
Buildings	18,571,472	1,733,881	-	-	20,305,353
Machinery and equipment	2,861,811	439,581	(14,761)	-	3,286,631
Vehicles	1,997,065	220,761	-	-	2,217,826
	\$ 107,598,027	\$ 8,774,504	\$ (14,761)	\$ -	\$ 116,357,770

The costs above include \$3,023,458 (2022 - \$574,306) 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, 2023

10. ACCUMULATED SURPLUS

	<u>2023</u>	<u>2022</u>
Unrestricted surplus	\$ 4,557,186	\$ 4,214,000
Restricted surplus (<i>Note 11</i>)		
Operating reserves	2,015,760	1,986,544
Capital reserves	6,506,899	6,723,315
Equity in tangible capital assets (<i>Schedule 1</i>)	121,563,695	123,832,864
Unrealized remeasurement gains (losses)	<u>(167,022)</u>	<u>-</u>
	\$134,476,518	\$136,756,723

11. RESERVES

	<u>2023</u>	<u>2022</u>
Operating Reserves:		
Landfill post-closure	\$ 1,242,001	\$ 1,027,968
Operating contingency	495,436	952,302
Snow removal	272,049	-
Automated traffic enforcement	<u>6,274</u>	<u>6,274</u>
	\$ 2,015,760	\$ 1,986,544
Capital Reserves:		
Carry-over projects	\$ 2,559,212	\$ 3,666,164
Landfill airspace depletion	1,503,405	1,113,049
General capital	1,000,000	1,000,000
Water capital	399,931	399,931
Education	304,369	199,358
Parkland capital	297,872	297,872
Other	226,802	55,018
Omniplex	166,666	-
Storm capital	95,351	95,351
Sewer capital	70,922	70,922
Enforcement services	49,242	-
Perpetual care	9,239	2,874
Landfill capital equipment	6,774	(27,200)
Affordable housing	<u>(182,886)</u>	<u>(150,024)</u>
	\$ 6,506,899	\$ 6,723,315

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 2023 fiscal year.

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2023

13. UTILITY FRANCHISE AGREEMENTS

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

	<u>2023</u>	<u>2022</u>
Fortis Alberta Inc.	\$ 956,704	\$ 937,456
Atco Gas	415,661	498,091
	<u>\$ 1,372,365</u>	<u>\$ 1,435,547</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	2023 Benefits and Allowances	Total	2022 Total
Mayor Nancy Dodds	\$ 72,104	\$ 20,852	\$ 92,956	\$ 96,908
Councillor Gammara	47,696	15,548	63,244	53,623
Councillor Sherriffs	47,017	15,663	62,680	65,466
Councillor Ballas	47,401	8,842	56,243	53,829
Councillor Clarke	38,584	14,477	53,061	59,942
Councillor Evans	37,324	14,300	51,624	52,875
Councillor McGee	33,672	11,536	45,208	48,107
	<u>\$ 323,798</u>	<u>\$ 101,218</u>	<u>\$ 425,016</u>	<u>\$ 430,750</u>
Elvera Thomson	\$ 76,233	\$ 16,817	\$ 93,050	\$ -
Robert Osmond	61,200	13,501	74,701	224,102
Wally Ferris	31,667	6,986	38,653	-
Chief Administrative Officers	<u>\$ 169,100</u>	<u>\$ 37,304</u>	<u>\$ 206,404</u>	<u>\$ 224,102</u>
Designated Officers	<u>\$ 346,300</u>	<u>\$ 76,394</u>	<u>\$ 422,694</u>	<u>\$ 380,516</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 RISK MANAGEMENT

The Town is exposed to the following risks with respect to its financial instruments.

(a) Credit Risk

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.

(b) Market Price Risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all securities. The Town is exposed to market price risk with respect to its investments in equity instruments.

(c) Interest Rate Risk

Interest rate risk is the risk that the Town's earnings will be affected by the fluctuation and degree of volatility in interest rates. Interest rate risk on the Town's long-debt is managed through fixed rate debt.

(d) Liquidity Risk

Liquidity risk is the risk that the Town will encounter difficulty in meeting obligations associated with its financial liabilities. The Town maintains cash balances to ensure that funds are available to meet current and forecasted financial requirements. Management continues to monitor the Town's liquidity position on a regular basis.

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*).

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2023

18. BUDGET FIGURES

The 2023 budget data presented is based on the operating and capital budget approved by Council on May 3, 2023. The table below reconciles the approved financial plan to the figures reported in these consolidated financial statements.

	2023 (Budget)	2023 (Actual)
Annual surplus (deficit)	485,008	(2,113,183)
Amortization expense	6,383,785	8,774,504
Net transfers from (to) reserves	(735,038)	(187,200)
Acquisition of tangible capital assets	(7,311,938)	(5,439,755)
Debt principal repayments	(1,271,305)	(1,271,306)
Debenture proceeds	387,240	-
	\$ (2,062,248)	\$ (236,940)

19. RESTATEMENT

Effective January 1, 2023, the Town adopted *PS 3280 Asset Retirement Obligations* retroactively and comparative figures have been restated. The effect of these changes on the comparative figures is as follows:

- Elimination of landfill closure and post-closure liability of \$4,214,000
- Establishment of asset retirement obligations \$5,740,903
- Increase in tangible capital assets of \$4,598,100
- Increase in expenses and decrease in annual surplus of \$756,910
- Increase in opening accumulated surplus of \$3,828,107

Effective January 1, 2023, the Town adopted *PS 3450 Financial Instruments* on a prospective basis, comparative figures have not been restated.

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.
