

TOWN OF DRAYTON VALLEY
DRAYTON VALLEY, ALBERTA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Hawkings Epp Dumont LLP

Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Town of Drayton Valley

Report on Financial Statements

We have audited the accompanying financial statements of the Town of Drayton Valley, which comprise the statement of financial position as at December 31, 2012, and the statements of operations and accumulated surplus, changes in net debt, and changes in financial position for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Town of Drayton Valley as at December 31, 2012, and the results of its operations and accumulated surplus, changes in net debt, and its changes in financial position for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta
April 24, 2013

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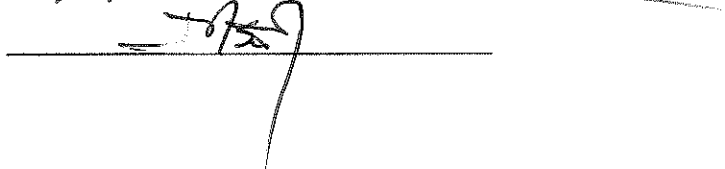
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TOWN OF DRAYTON VALLEY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
FINANCIAL ASSETS		
Cash (Note 2)	\$ 13,795,458	\$ 11,458,319
Accounts receivable (Note 3)	3,584,193	3,961,886
Land inventory held for resale	<u>286,274</u>	<u>286,274</u>
	<u>17,665,925</u>	<u>15,706,479</u>
LIABILITIES		
Accounts payable and accrued liabilities	2,869,008	2,185,572
Deposits	255,972	244,824
Deferred revenue (Note 4)	1,675,792	2,190,440
Landfill closure and post-closure (Note 5)	2,555,914	2,555,914
Long-term debt (Note 6)	<u>12,577,256</u>	<u>10,975,311</u>
	<u>19,933,942</u>	<u>18,152,061</u>
NET FINANCIAL ASSETS (DEBT)	<u>(2,268,017)</u>	<u>(2,445,582)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	81,410,716	74,200,933
Inventory for consumption	<u>74,037</u>	<u>68,057</u>
	<u>81,484,753</u>	<u>74,268,990</u>
ACCUMULATED SURPLUS (NOTE 9)	<u>\$ 79,216,736</u>	<u>\$ 71,823,408</u>
Contingencies (Note 10)		

ON BEHALF OF THE TOWN COUNCIL:





TOWN OF DRAYTON VALLEY
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u> (Budget) (Note 17)	<u>2012</u> (Actual)	<u>2011</u> (Actual)
REVENUE			
Sales and user charges (Schedule 4)	\$ 7,703,881	\$ 9,516,748	\$ 8,291,824
Net taxation (Schedule 2)	8,772,212	8,826,073	7,590,880
Government transfers for operating (Schedule 3)	2,460,716	3,915,673	3,774,802
Rentals	666,258	745,420	727,165
Franchise and concession contracts	525,300	721,327	656,555
Licenses and permits	225,472	264,887	182,674
Penalties and costs on taxes	168,511	188,940	196,467
Investment income	70,070	152,632	122,851
Development levies	200,000	149,173	211,723
Fines	89,960	86,562	70,512
Other	10,000	52,198	48,425
	<u>20,892,380</u>	<u>24,619,633</u>	<u>21,873,878</u>
EXPENSES			
Recreation and culture	4,214,364	4,218,014	4,256,261
Subdivision land and development	993,314	1,118,988	1,085,263
Water and wastewater	3,069,828	3,180,610	2,957,775
Roads, streets, walks, and lighting	2,106,434	2,868,588	2,758,369
Public health and welfare	1,809,852	2,044,145	1,869,224
Waste management	1,841,312	2,007,523	1,636,556
Police	1,270,672	1,552,135	1,073,694
Fire and disaster services	1,037,679	1,009,746	1,092,299
Administration	928,700	915,347	890,784
Common and equipment pool	655,418	587,754	669,101
Council	405,626	438,106	453,113
Bylaws enforcement	94,816	94,152	89,591
Other	160,000	83,501	85,234
Airport	73,230	80,240	135,835
Amortization of tangible capital assets	-	3,903,667	3,394,619
	<u>18,661,245</u>	<u>24,102,516</u>	<u>22,447,658</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER INCOME	<u>2,231,135</u>	<u>517,117</u>	<u>(573,780)</u>
OTHER INCOME			
Contributed tangible capital assets (Note 14)	-	3,982,218	-
Government transfers for capital (Schedule 3)	12,352,351	2,679,996	1,814,786
Donations for tangible capital assets	122,000	228,205	-
Gain (loss) on disposal of tangible capital assets	-	(14,208)	-
	<u>12,474,351</u>	<u>6,876,211</u>	<u>1,814,786</u>
EXCESS OF REVENUE OVER EXPENSES	<u>14,705,486</u>	<u>7,393,328</u>	<u>1,241,006</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>71,823,408</u>	<u>71,823,408</u>	<u>70,582,402</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 7)	<u>\$ 86,528,894</u>	<u>\$ 79,216,736</u>	<u>\$ 71,823,408</u>

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

TOWN OF DRAYTON VALLEY
STATEMENT OF CHANGES IN NET DEBT
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u> (Budget) (Note 17)	<u>2012</u> (Actual)	<u>2011</u> (Actual)
EXCESS OF REVENUE OVER EXPENSES	\$ <u>14,705,486</u>	\$ <u>7,393,328</u>	\$ <u>1,241,006</u>
Acquisition of tangible capital assets	(26,839,669)	(11,127,658)	(5,771,657)
Amortization of tangible capital assets	-	3,903,667	3,394,619
Loss (gain) on disposal of tangible capital assets	-	<u>14,208</u>	-
	<u>(26,839,669)</u>	<u>(7,209,783)</u>	<u>(2,377,038)</u>
Acquisition of prepaid expenses	-	-	34,080
Use of inventory for consumption	-	<u>(5,980)</u>	<u>(10,133)</u>
	-	<u>(5,980)</u>	<u>23,947</u>
DECREASE (INCREASE) IN NET DEBT	(12,134,183)	177,565	(1,112,085)
NET DEBT, BEGINNING OF YEAR	<u>(2,445,582)</u>	<u>(2,445,582)</u>	<u>(1,333,497)</u>
NET DEBT, END OF YEAR	<u>\$(14,579,765)</u>	<u>\$ (2,268,017)</u>	<u>\$(2,445,582)</u>

TOWN OF DRAYTON VALLEY
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
OPERATING ACTIVITIES		
Cash from operations		
Excess of revenue over expenses	\$ 7,393,328	\$ 1,241,006
Non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	3,903,667	3,394,619
Contributed tangible capital assets	(3,982,218)	-
Loss (gain) on disposal of tangible capital assets	14,208	-
Change in non-cash working capital balances related to operations:		
Accounts receivable	377,692	817,273
Inventory for consumption	(5,980)	(10,133)
Prepaid expenses	-	34,080
Accounts payable and accrued liabilities	683,436	(350,518)
Deposits	11,148	11,203
Deferred revenue	<u>(514,647)</u>	<u>250,629</u>
	<u>7,880,634</u>	<u>5,388,159</u>
FINANCING ACTIVITIES		
Long-term debt advances	2,550,553	4,224,090
Repayment of long-term debt	<u>(948,608)</u>	<u>(699,011)</u>
	<u>1,601,945</u>	<u>3,525,079</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	<u>(7,145,440)</u>	<u>(5,771,657)</u>
CHANGE IN CASH DURING THE YEAR	2,337,139	3,141,581
CASH, BEGINNING OF YEAR	<u>11,458,319</u>	<u>8,316,738</u>
CASH, END OF YEAR	<u>\$ 13,795,458</u>	<u>\$ 11,458,319</u>

TOWN OF DRAYTON VALLEY
SCHEDULE OF EQUITY IN TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE 1

	<u>2012</u>	<u>2011</u>
BALANCE, BEGINNING OF YEAR	\$ 63,271,896	\$ 64,441,248
Acquisition of tangible capital assets	11,127,658	5,771,657
Amortization of tangible capital assets	(3,903,667)	(3,394,619)
Net book value of tangible capital assets disposed of	(14,208)	-
Long-term debt advances	(2,550,553)	(4,224,090)
Long-term capital debt repayments	<u>926,099</u>	<u>677,700</u>
BALANCE, END OF YEAR	<u>\$ 68,857,225</u>	<u>\$ 63,271,896</u>
Equity in Tangible Capital Assets is Comprised of the Following:		
Tangible capital assets net book value	\$ 81,410,716	\$ 74,200,933
Long-term capital debt	<u>(12,553,491)</u>	<u>(10,929,037)</u>
	<u>\$ 68,857,225</u>	<u>\$ 63,271,896</u>

TOWN OF DRAYTON VALLEY
SCHEDULE OF PROPERTY TAXES
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE 2

	<u>2012</u> (Budget) (Note 17)	<u>2012</u> (Actual)	<u>2011</u> (Actual)
TAXATION			
Real property taxes	\$ 11,208,709	\$ 11,264,749	\$ 9,761,397
Linear property taxes	739,506	721,880	492,741
Government grants in lieu of property taxes	93,614	93,615	87,833
Special assessments and local improvement taxes	<u>165,880</u>	<u>136,077</u>	<u>159,564</u>
	<u>12,207,709</u>	<u>12,216,321</u>	<u>10,501,535</u>
REQUISITIONS			
Alberta School Foundation Fund	3,115,835	3,065,515	2,606,584
Seniors Foundation	<u>319,662</u>	<u>324,733</u>	<u>304,071</u>
	<u>3,435,497</u>	<u>3,390,248</u>	<u>2,910,655</u>
NET MUNICIPAL TAXES	<u>\$ 8,772,212</u>	<u>\$ 8,826,073</u>	<u>\$ 7,590,880</u>

TOWN OF DRAYTON VALLEY

SCHEDULE 3

SCHEDULE OF GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u> (Budget) (Note 17)	<u>2012</u> (Actual)	<u>2011</u> (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 914,551	\$ 2,284,293	\$ 2,221,083
Local governments	<u>1,546,165</u>	<u>1,631,380</u>	<u>1,553,719</u>
	<u>2,460,716</u>	<u>3,915,673</u>	<u>3,774,802</u>
TRANSFERS FOR CAPITAL			
Provincial government	11,802,351	2,135,624	1,577,815
Local governments	<u>550,000</u>	<u>544,372</u>	<u>236,971</u>
	<u>12,352,351</u>	<u>2,679,996</u>	<u>1,814,786</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 14,813,067</u>	<u>\$ 6,595,669</u>	<u>\$ 5,589,588</u>

TOWN OF DRAYTON VALLEY
SCHEDULE 4

SCHEDULE OF SEGMENT DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2012

	General Administration	Protective Services	Water, Wastewater and Waste Management	Parks and Recreation	Roads, Streets, Walks and Lighting	Public Health and Welfare	All Other	Total
REVENUE								
Sales and user charges	\$ 36,277	\$ 48,587	\$ 7,649,808	\$ 953,454	\$ 108,215	\$ 554,996	\$ 171,011	\$ 9,516,748
Taxation	807,593	1,657,514	-	1,781,717	2,434,199	449,838	1,695,212	8,826,073
Government transfers	-	861,217	-	883,841	413,580	854,502	902,533	3,915,678
All other	71,475	88,714	34,322	500	-	36,324	1,384,384	1,615,719
Rentals	-	-	-	598,501	(2,166)	149,085	-	745,420
	<u>915,345</u>	<u>2,656,032</u>	<u>7,684,130</u>	<u>4,218,013</u>	<u>2,948,828</u>	<u>2,044,145</u>	<u>4,153,140</u>	<u>24,619,633</u>
EXPENSES								
Wages and benefits	384,216	955,635	912,630	1,761,798	535,102	1,216,603	524,435	6,290,319
Materials, goods, and contracted and general services	36,637	1,397,810	1,709,783	609,267	43,716	282,996	1,106,689	5,186,898
Professional fees	422,254	166,122	732,819	545,185	594,258	378,775	415,330	3,254,743
Repairs and maintenance	25,135	49,871	1,134,968	479,816	1,312,973	24,317	51,523	3,078,603
Utilities	35,693	65,805	552,929	634,755	411,302	30,091	36,708	1,767,283
Interest on long-term debt	3,102	6,339	119,726	101,194	46,880	101,272	63,101	441,614
Insurance	8,308	14,450	25,378	85,998	4,597	10,091	30,567	179,389
	<u>915,345</u>	<u>2,656,032</u>	<u>5,188,133</u>	<u>4,218,013</u>	<u>2,948,828</u>	<u>2,044,145</u>	<u>2,228,353</u>	<u>20,198,849</u>
NET REVENUE, BEFORE AMORTIZATION	-	-	2,495,997	-	-	-	1,924,787	4,420,784
Amortization	249,740	-	969,984	503,234	1,688,118	299,064	193,527	3,903,667
NET REVENUE	<u>\$ (249,740)</u>	<u>\$ -</u>	<u>\$ 1,526,013</u>	<u>\$ (503,234)</u>	<u>\$ (1,688,118)</u>	<u>\$ (299,064)</u>	<u>\$ 1,731,260</u>	<u>\$ 517,117</u>

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

TOWN OF DRAYTON VALLEY
SCHEDULE 4

SCHEDULE OF SEGMENT DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2011

	General Administration	Protective Services	Water, Wastewater and Waste Management	Parks and Recreation	Roads, Streets, Walks and Lighting	Public Health and Welfare	All Other	Total
REVENUE								
Sales and user charges	\$ 33,991	\$ 66,425	\$ 6,518,673	\$ 950,115	\$ 67,930	\$ 510,543	\$ 144,147	\$ 8,291,824
Taxation	787,417	1,240,730	-	1,847,807	2,343,586	241,662	1,129,658	7,590,880
Government transfers	-	875,805	-	876,775	469,625	943,542	609,055	3,774,802
All other	69,375	72,564	36,472	3,000	-	37,524	1,270,272	1,489,207
Rentals	-	-	-	578,169	13,064	135,932	-	727,165
	<u>890,783</u>	<u>2,255,524</u>	<u>6,555,145</u>	<u>4,255,866</u>	<u>2,894,205</u>	<u>1,869,223</u>	<u>3,153,132</u>	<u>21,873,878</u>
EXPENSES								
Materials, goods, and contracted and general services	31,024	946,581	1,435,641	601,315	79,552	246,559	1,180,659	4,521,331
Wages and benefits	470,388	972,691	767,517	1,638,152	516,620	1,129,249	526,622	6,021,239
Professional fees	269,176	154,413	599,351	632,669	739,241	334,525	384,114	3,113,489
Repairs and maintenance	55,246	98,971	1,109,426	561,880	1,105,608	12,718	119,111	3,062,960
Utilities	35,571	57,025	582,143	616,641	398,784	29,894	34,933	1,754,991
Interest on long-term debt	20,573	10,554	75,654	106,196	49,773	105,745	18,057	386,552
Insurance	8,805	15,289	24,598	99,013	4,627	10,533	29,612	192,477
	<u>890,783</u>	<u>2,255,524</u>	<u>4,594,330</u>	<u>4,255,866</u>	<u>2,894,205</u>	<u>1,869,223</u>	<u>2,293,108</u>	<u>19,053,039</u>
NET REVENUE, BEFORE AMORTIZATION								
Amortization	188,746	29	1,960,815	445,495	1,360,713	299,064	860,024	2,820,839
	<u>(188,746)</u>	<u>(29)</u>	<u>1,035,094</u>	<u>(445,495)</u>	<u>(1,360,713)</u>	<u>(299,064)</u>	<u>685,173</u>	<u>(573,780)</u>
NET REVENUE								

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

TOWN OF DRAYTON VALLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Drayton Valley (the "Town") are the representations of management prepared in accordance with local government accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting Entity

The financial statements reflect assets, liabilities, revenue and expenses and changes in net debt and financial position of the Town which comprises all the organizations that are accountable for the administration of their financial affairs and resources to the Town and are owned or controlled by the Town as follows:

Town of Drayton Valley Fire Department
Town of Drayton Valley Water Works System
Town of Drayton Valley Aspen Waste Management
Drayton Valley and District Family and Community Support Services
Bio-Arcc Drayton Valley Ltd.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the Town.

The statements exclude trust assets and liabilities that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

(b) Basis of Accounting

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers are recognized in the financial statements as revenue in the period in which the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(c) 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.

(CONT'D)

TOWN OF DRAYTON VALLEY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) **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 years
Water systems	25 years
Sewer systems	40 - 60 years
Other	20 - 50 years
Buildings	50 years
Machinery and equipment	10 - 15 years
Vehicles	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.

(e) **Local Improvement Charges**

The Town has funded costs for work performed associated with various local improvement projects. These costs are recovered through special assessments collectible from property owners plus interest. Interest is recognized as it is earned.

(f) **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.

(g) **Pension Expenditures**

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

(h) **Use of Estimates**

The preparation of 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 financial statements, and the reported amounts of revenue and expenditures during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

TOWN OF DRAYTON VALLEY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2012

2. CASH

	<u>2012</u>	<u>2011</u>
Cash on hand	880	880
Bank accounts	<u>13,794,578</u>	<u>11,457,439</u>
	<u>\$ 13,795,458</u>	<u>\$ 11,458,319</u>

3. ACCOUNTS RECEIVABLE

	<u>2012</u>	<u>2011</u>
Taxes and grants in place of taxes		
Current taxes and grants in place of taxes	\$ 409,631	\$ 304,140
Tax arrears and grants in place of taxes	182,266	76,812
Tax arrears on property held for tax recovery	<u>40,652</u>	<u>40,652</u>
	632,549	421,604
Trade and other	2,942,089	3,431,802
Goods and Services Tax	245,900	244,656
Alberta School Foundation Fund under-levy	35,560	29,994
Due from other organizations	20,815	37,483
Brazeau Foundation under-levy	<u>(46,693)</u>	<u>(2,183)</u>
	3,830,220	4,163,356
Less: Allowance for doubtful accounts	<u>(246,027)</u>	<u>(201,470)</u>
	<u>\$ 3,584,193</u>	<u>\$ 3,961,886</u>

The Town has assumed long-term financing on behalf of other organizations. Pertaining to this financing, \$20,815 (2011 - \$37,483) is recoverable from the MAXX Centre in monthly principal payments of \$1,389, bearing no interest until 2013.

4. DEFERRED REVENUE

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

	<u>2012</u>	<u>2011</u>
Municipal Sustainability Initiative	\$ 942,821	\$ 1,227,663
Alberta Municipal Water / Wastewater Program	432,194	510,432
Other	<u>300,777</u>	<u>452,345</u>
	<u>\$ 1,675,792</u>	<u>\$ 2,190,440</u>

TOWN OF DRAYTON VALLEY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2012

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 discount rate of 5.0% and assuming annual inflation of 2.5%.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the developed cells is estimated at 1,481,000 cubic metres. The estimated remaining capacity of the developed cells is approximately 468,000 cubic metres. The existing landfill site, including undeveloped cells is expected to reach capacity in approximately the year 2030.

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

	<u>2012</u>	<u>2011</u>
Estimated closure costs	\$ 1,161,000	\$ 777,914
Estimated post-closure costs	<u>2,543,223</u>	<u>1,778,000</u>
Estimated total liability	<u>3,704,223</u>	<u>2,555,914</u>
Estimated capacity remaining	31.00 %	- %
Portion of total liability remaining to be recognized	<u>1,148,309</u>	<u>-</u>
Estimated capacity used	69.00 %	100.00 %
Accrued liability portion	<u>\$ 2,555,914</u>	<u>\$ 2,555,914</u>

TOWN OF DRAYTON VALLEY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2012

6. LONG-TERM DEBT

	<u>2012</u>	<u>2011</u>
Tax supported debentures	\$ 12,556,441	\$ 10,937,828
Other organizations	<u>20,815</u>	<u>37,483</u>
	<u>\$ 12,577,256</u>	<u>\$ 10,975,311</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,315,038	\$ 526,509	\$ 1,841,547
2014	1,190,208	479,737	1,669,945
2015	1,149,386	441,263	1,590,649
2016	1,186,556	404,093	1,590,649
2017	1,187,819	365,933	1,553,752
Thereafter	<u>6,548,249</u>	<u>1,677,969</u>	<u>8,226,218</u>
	<u>\$12,577,256</u>	<u>\$ 3,895,504</u>	<u>\$16,472,760</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest ranging from 3.013% to 6.125% per annum, before Provincial subsidy, and matures in periods 2014 through to 2033.

Debenture debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$441,614 (2011 - \$386,552).

The Town's total cash payments for interest during 2012 were \$448,054 (2011 - \$356,962).

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>2012</u>	<u>2011</u>
Total debt limit	\$ 36,929,450	\$ 32,810,817
Total debt	(12,577,256)	(10,975,311)
Loan guarantees	<u>(783,500)</u>	<u>(783,500)</u>
Amount of debt limit unused	<u>\$ 23,568,694</u>	<u>\$ 21,052,006</u>
Service on debt limit	\$ 6,154,908	\$ 5,468,470
Service on debt	<u>(1,841,547)</u>	<u>(1,396,663)</u>
Amount of debt servicing limit unused	<u>\$ 4,313,361</u>	<u>\$ 4,071,807</u>

TOWN OF DRAYTON VALLEY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2012

8. TANGIBLE CAPITAL ASSETS

						Net Book Value	
						<u>2012</u>	<u>2011</u>
						\$	\$
Engineered structures							
Roads						24,791,120	19,944,249
Sewer systems						17,025,916	16,722,676
Water systems						8,654,524	8,311,471
Other						<u>5,718,316</u>	<u>4,101,163</u>
						56,189,876	49,079,559
Buildings						20,731,509	21,343,302
Land						3,227,476	2,730,638
Machinery and equipment						1,257,154	1,030,224
Vehicles						<u>4,701</u>	<u>17,210</u>
						<u>\$ 81,410,716</u>	<u>\$ 74,200,933</u>
	Cost						
	Beginning of	Additions	Disposals	Write-downs	Cost		
	Year				End of		
					Year		
Engineered structures							
Roads	\$ 35,851,429	\$ 6,531,846	\$ -	-	\$ 42,383,275		
Sewer systems	24,328,781	778,691	-	-	25,107,472		
Water systems	18,676,042	791,289	-	-	19,467,331		
Other	<u>7,831,991</u>	<u>2,030,084</u>	-	-	<u>9,862,075</u>		
	86,688,243	10,131,910	-	-	96,820,153		
Buildings	28,593,519	-	-	-	28,593,519		
Machinery and equipment	3,809,844	498,910	(25,073)	-	4,283,681		
Land	2,730,638	496,838	-	-	3,227,476		
Vehicles	<u>1,418,814</u>	-	-	-	<u>1,418,814</u>		
	<u>\$ 123,241,058</u>	<u>\$ 11,127,658</u>	<u>\$ (25,073)</u>	<u>\$ -</u>	<u>\$ 134,343,643</u>		
	Accumulated						
	Amortization	Current	Disposals	Write-downs	Accumulated		
	Beginning of	Amortization			Amortization		
	Year				End of		
					Year		
Engineered structures							
Roads	\$ 15,907,180	\$ 1,684,975	\$ -	-	\$ 17,592,155		
Sewer systems	7,606,105	475,451	-	-	8,081,556		
Water systems	10,364,571	448,236	-	-	10,812,807		
Other	<u>3,730,828</u>	<u>412,931</u>	-	-	<u>4,143,759</u>		
	37,608,684	3,021,593	-	-	40,630,277		
Buildings	7,250,217	611,793	-	-	7,862,010		
Machinery and equipment	2,779,620	257,772	(10,865)	-	3,026,527		
Vehicles	<u>1,401,604</u>	<u>12,509</u>	-	-	<u>1,414,113</u>		
	<u>\$ 49,040,125</u>	<u>\$ 3,903,667</u>	<u>\$ (10,865)</u>	<u>\$ -</u>	<u>\$ 52,932,927</u>		

TOWN OF DRAYTON VALLEY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2012

9. ACCUMULATED SURPLUS

	<u>2012</u>	<u>2011</u>
Unrestricted surplus	\$ 7,575,515	\$ 5,296,492
Restricted surplus (Note 11)		
Operating reserves	525,000	525,000
Capital reserves	2,258,996	2,730,020
Equity in tangible capital assets (Schedule 1)	<u>68,857,225</u>	<u>63,271,896</u>
	<u>\$ 79,216,736</u>	<u>\$ 71,823,408</u>

10. CONTINGENCIES

(a) Pembina Education Society Guarantee

The Town of Drayton Valley has provided a guarantee to the Alberta Treasury Branch (ATB) in the amount of \$200,000 with respect to the borrowing the Pembina Education Society has with the ATB. This loan guarantee is limited to the first \$400,000 of principal due on this loan.

(b) Brazeau Seniors Foundation Guarantee

The Town of Drayton Valley has provided a guarantee to the Royal Bank of Canada (RBC) in the amount of \$583,500 with respect to the Brazeau Seniors Foundation \$2,500,000 borrowing from the RBC for the construction of the Shangri-La Lodge project.

(c) Alberta Municipal Insurance Exchange (MUNIX)

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.

11. RESERVES

	<u>2012</u>	<u>2011</u>
Operating Reserves:		
Operating contingency	<u>\$ 525,000</u>	<u>\$ 525,000</u>
Capital Reserves:		
General capital	\$ 1,000,000	\$ 1,000,000
Landfill airspace depletion	438,903	1,121,157
Water capital	314,301	217,281
Parkland capital	229,472	229,472
Sewer capital	103,616	53,575
Storm capital	91,400	89,288
Landfill capital equipment	47,904	14,025
Affordable housing	<u>33,400</u>	<u>5,222</u>
	<u>\$ 2,258,996</u>	<u>\$ 2,730,020</u>

TOWN OF DRAYTON VALLEY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2012

12. SALARIES AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the Chief Administrative Officer and designated officers as required is as follows:

		2012			2011
		<u>Salary</u>	<u>Benefits and Allowances</u>	<u>Total</u>	<u>Total</u>
Mayor	Moe Hamdon	\$ 55,437	\$ 10,413	\$ 65,850	\$ 78,102
Councillor	Kyle Archer	35,357	13,040	48,397	41,340
Councillor	Dean Shular	32,507	9,008	41,515	53,437
Councillor	Nicole Nadeau	33,022	7,335	40,357	43,120
Councillor	Debra Bossert	31,437	5,665	37,102	33,821
Councillor	Corey Pebbles	25,955	6,766	32,721	33,221
Councillor	Glen McLean	<u>24,075</u>	<u>4,636</u>	<u>28,711</u>	<u>26,162</u>
		<u>\$ 237,790</u>	<u>\$ 56,863</u>	<u>\$ 294,653</u>	<u>\$ 309,203</u>
Chief Administrative Officer		<u>\$ 160,557</u>	<u>\$ 36,064</u>	<u>\$ 196,621</u>	<u>\$ 191,914</u>
Designated Officers		<u>\$ 474,142</u>	<u>\$ 118,996</u>	<u>\$ 593,138</u>	<u>\$ 588,651</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.

13. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, accounts 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 FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2012

14. CONTRIBUTED TANGIBLE CAPITAL ASSETS

Pursuant to a Ministerial Order in Council effective January 1, 2012, the Town annexed land from Brazeau County. The Town has recorded these tangible capital assets at their estimated fair values as follows:

Sewer systems		\$ 2,275,187
Land		720,737
Water systems		651,224
Roads		<u>335,070</u>
		<u>\$ 3,982,218</u>

15. 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 financial statements as disclosed in Note 1. For additional information see the Schedule of Segment Disclosure (Schedule 4).

16. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved the financial statements.

17. BUDGET FIGURES

The budget figures are presented for information purposes only and have not been audited. The 2012 budget, prepared by the Town of Drayton Valley, reflects all municipal activities including capital projects, debt repayments, and reserves for future use. The reconciliation below is provided to encompass these items and is provided for information purposes only.

	<u>2012</u> (Budget)	<u>2012</u> (Actual)	<u>2011</u> (Actual)
Excess of Revenue over Expenses	14,705,486	7,393,328	1,241,006
Amortization expense	-	3,903,667	3,394,619
Net transfers to (from) reserves	2,041,060	(471,024)	407,453
Net transfers for capital projects	(3,123,586)	-	-
Loss on disposal of tangible capital assets	-	14,208	-
Principal debt repayments	(948,609)	(948,608)	(699,011)
Contributed tangible capital assets	-	(3,982,218)	-
Other capital revenue	(122,000)	(228,205)	-
Government transfers for capital	(12,352,351)	(2,679,996)	(1,814,786)
Development levies for capital	<u>(200,000)</u>	<u>(149,173)</u>	<u>(211,723)</u>
Result of Operations	<u>\$ -</u>	<u>\$ 2,851,979</u>	<u>\$ 2,529,281</u>