

**TOWN OF DRAYTON VALLEY
DRAYTON VALLEY, ALBERTA
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**



INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Town of Drayton Valley

We have audited the accompanying consolidated financial statements of the Town of Drayton Valley, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town of Drayton Valley as at December 31, 2013, and the consolidated results of its operations, changes in net debt, and its changes in financial position for the year then ended in accordance with Canadian public sector accounting standards.

Hawkings Epp Dumont LLP

Hawkings Epp Dumont LLP
Chartered Accountants

Edmonton, Alberta
April 23, 2014

EDMONTON
Mayfield Square I
10476 -- Mayfield Road
Edmonton, AB T5P 4P4
T: 780.489.9606
F: 780.484.9689

STONY PLAIN
#101, 5300 -- 50 Street
PO Box 3188, Station Main
Stony Plain, AB T7Z 1T8
T: 780.963.2727
F: 780.963.1294

LLOYDMINSTER
5102 -- 48 Street
PO Box 10099
Lloydminster, AB T9V 3A2
T: 780.875.7433
F: 780.875.5304

HAWKINGS.COM



TOWN OF DRAYTON VALLEY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u> (Restated) (Note 18)
FINANCIAL ASSETS		
Cash (Note 2)	\$ 22,046,103	\$ 13,795,458
Receivables (Note 3)	3,843,142	4,267,640
Land inventory held for resale	<u>286,274</u>	<u>286,274</u>
	<u>26,175,519</u>	<u>18,349,372</u>
 LIABILITIES		
Accounts payable and accrued liabilities	5,263,684	2,869,008
Deposits	269,341	255,972
Deferred revenue (Note 4)	7,939,160	1,675,792
Landfill closure and post-closure (Note 5)	2,249,505	2,555,914
Long-term debt (Note 6)	<u>11,533,282</u>	<u>12,577,256</u>
	<u>27,254,972</u>	<u>19,933,942</u>
 NET DEBT	<u>(1,079,453)</u>	<u>(1,584,570)</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	90,549,596	83,465,066
Inventory for consumption	<u>43,912</u>	<u>74,037</u>
	<u>90,593,508</u>	<u>83,539,103</u>
 ACCUMULATED SURPLUS (Note 9)	<u>\$ 89,514,055</u>	<u>\$ 81,954,533</u>
 Contingencies (Note 11)		

ON BEHALF OF THE TOWN COUNCIL:



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

TOWN OF DRAYTON VALLEY

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u> (Budget) (Note 16)	<u>2013</u> (Actual)	<u>2012</u> (Actual) (Restated) (Note 18)
REVENUE			
Net taxation (Schedule 2)	\$ 9,287,136	\$ 9,136,603	\$ 8,763,068
Sales and user charges (Schedule 4)	9,030,896	8,592,800	9,516,748
Government transfers for operating (Schedule 3)	2,894,196	3,512,276	3,915,673
Franchise and concession contracts	600,000	769,628	721,327
Rentals	692,634	734,074	745,420
Development levies	200,000	629,557	149,173
Licenses and permits	232,235	601,453	264,887
Penalties and costs on taxes	173,566	225,899	188,940
Other	60,000	224,922	52,198
Investment income	72,171	156,416	152,632
Fines	92,681	73,244	86,562
	<u>23,335,515</u>	<u>24,656,872</u>	<u>24,556,628</u>
EXPENSES			
Recreation and culture	4,711,315	4,488,852	4,218,014
Roads, streets, walks, and lighting	3,356,898	3,142,863	2,868,588
Water and wastewater	3,110,587	2,895,454	3,180,610
Public health and welfare	2,108,059	2,104,796	2,044,145
Waste management	2,402,398	1,656,241	2,007,523
Police	1,308,696	1,647,466	1,552,135
Subdivision land and development	1,278,786	1,236,538	1,118,988
Fire and disaster services	1,063,820	972,538	1,009,746
Administration	949,336	970,341	915,347
Common and equipment pool	726,529	702,118	587,754
Council	465,970	505,959	438,106
Bylaws enforcement	96,884	253,708	94,152
Airport	125,338	148,723	80,240
Other	103,000	47,574	83,501
Amortization of tangible capital assets	-	4,104,627	4,011,791
	<u>21,807,616</u>	<u>24,877,798</u>	<u>24,210,640</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER INCOME	<u>1,527,899</u>	<u>(220,926)</u>	<u>345,988</u>
OTHER INCOME			
Government transfers for capital (Schedule 3)	10,788,004	5,550,900	2,679,996
Gain (loss) on disposal of tangible capital assets	790,000	1,940,273	(14,208)
Donations for tangible capital assets	-	289,275	228,205
Contributed tangible capital assets	-	-	6,144,692
	<u>11,578,004</u>	<u>7,780,448</u>	<u>9,038,685</u>
ANNUAL SURPLUS	<u>13,105,903</u>	<u>7,559,522</u>	<u>9,384,673</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>81,954,533</u>	<u>81,954,533</u>	<u>72,569,860</u>
ACCUMULATED SURPLUS, END OF YEAR (Note 7)	<u>\$ 95,060,436</u>	<u>\$ 89,514,055</u>	<u>\$ 81,954,533</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, 2013

	2013 (Budget) (Note 16)	2013 (Actual)	2012 (Actual) (Restated) (Note 18)
ANNUAL SURPLUS	\$ <u>13,105,903</u>	\$ <u>7,559,522</u>	\$ <u>9,384,673</u>
Acquisition of tangible capital assets	(23,390,399)	(11,507,699)	(13,290,132)
Proceeds on disposal of tangible capital assets	-	2,258,800	-
Amortization of tangible capital assets	-	4,104,627	4,011,791
Loss (gain) on disposal of tangible capital assets	-	(1,940,273)	14,208
	<u>(23,390,399)</u>	<u>(7,084,545)</u>	<u>(9,264,133)</u>
Use of inventory for consumption	-	30,140	(5,980)
	-	<u>30,140</u>	<u>(5,980)</u>
DECREASE (INCREASE) IN NET DEBT	(10,284,496)	505,117	114,560
NET DEBT, BEGINNING OF YEAR	<u>(1,584,570)</u>	<u>(1,584,570)</u>	<u>(1,699,130)</u>
NET DEBT, END OF YEAR	\$ <u>(11,869,066)</u>	\$ <u>(1,079,453)</u>	\$ <u>(1,584,570)</u>

TOWN OF DRAYTON VALLEY
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u> (Restated) (Note 18)
OPERATING ACTIVITIES		
Cash from operations		
Annual surplus	\$ 7,559,522	\$ 9,384,673
Non-cash items included in annual surplus		
Amortization of tangible capital assets	4,104,627	4,011,791
Contributed tangible capital assets	-	(6,144,692)
Provision for landfill closure and post-closure (recovery)	(306,409)	-
Loss (gain) on disposal of tangible capital assets	(1,940,273)	14,208
 Change in non-cash working capital balances related to operations:		
Receivables	424,498	440,698
Inventory for consumption	30,125	(5,980)
Accounts payable and accrued liabilities	2,394,691	683,436
Deposits	13,369	11,147
Deferred revenue	<u>6,263,368</u>	<u>(514,647)</u>
	<u>18,543,518</u>	<u>7,880,634</u>
FINANCING ACTIVITIES		
Long-term debt advances	-	2,550,553
Repayment of long-term debt	<u>(1,043,974)</u>	<u>(948,608)</u>
	<u>(1,043,974)</u>	<u>1,601,945</u>
CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	2,258,800	-
Purchase of tangible capital assets	<u>(11,507,699)</u>	<u>(7,145,440)</u>
INCREASE IN CASH DURING THE YEAR	8,250,645	2,337,139
CASH, BEGINNING OF YEAR	<u>13,795,458</u>	<u>11,458,319</u>
CASH, END OF YEAR	<u>\$ 22,046,103</u>	<u>\$ 13,795,458</u>

TOWN OF DRAYTON VALLEY

Schedule 1

SCHEDULE OF EQUITY IN TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
BALANCE, BEGINNING OF YEAR	\$ 70,911,575	\$ 63,271,896
Acquisition of tangible capital assets	11,507,699	13,290,132
Amortization of tangible capital assets	(4,104,627)	(4,011,791)
Net book value of tangible capital assets disposed of	(318,543)	(14,208)
Long-term debt advances	-	(2,550,553)
Long-term capital debt repayments	<u>1,020,210</u>	<u>926,099</u>
BALANCE, END OF YEAR	<u>\$ 79,016,314</u>	<u>\$ 70,911,575</u>
Equity in Tangible Capital Assets is Comprised of the Following:		
Tangible capital assets net book value	\$ 90,549,596	\$ 83,465,066
Long-term capital debt	<u>(11,533,282)</u>	<u>(12,553,491)</u>
	<u>\$ 79,016,314</u>	<u>\$ 70,911,575</u>

TOWN OF DRAYTON VALLEY
SCHEDULE OF PROPERTY TAXES
FOR THE YEAR ENDED DECEMBER 31, 2013

Schedule 2

	<u>2013</u> (Budget) (Note 16)	<u>2013</u> (Actual)	<u>2012</u> (Actual)
TAXATION			
Real property taxes	\$ 11,910,810	\$ 11,867,090	\$ 11,264,749
Linear property taxes	771,755	730,022	721,880
Government grants in lieu of property taxes	91,768	91,769	93,615
Special assessments and local improvement taxes	<u>92,643</u>	<u>27,563</u>	<u>73,072</u>
	<u>12,866,976</u>	<u>12,716,444</u>	<u>12,153,316</u>
REQUISITIONS			
Alberta School Foundation Fund	3,254,564	3,254,565	3,065,515
Seniors Foundation	<u>325,276</u>	<u>325,276</u>	<u>324,733</u>
	<u>3,579,840</u>	<u>3,579,841</u>	<u>3,390,248</u>
NET MUNICIPAL TAXES	<u>\$ 9,287,136</u>	<u>\$ 9,136,603</u>	<u>\$ 8,763,068</u>

TOWN OF DRAYTON VALLEY
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2013

Schedule 3

	<u>2013</u> (Budget) (Note 16)	<u>2013</u> (Actual)	<u>2012</u> (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 1,286,743	\$ 1,831,742	\$ 2,284,293
Local governments	<u>1,607,453</u>	<u>1,680,534</u>	<u>1,631,380</u>
	<u>2,894,196</u>	<u>3,512,276</u>	<u>3,915,673</u>
TRANSFERS FOR CAPITAL			
Provincial government	10,626,794	5,550,900	2,135,624
Local governments	<u>161,210</u>	<u>-</u>	<u>544,372</u>
	<u>10,788,004</u>	<u>5,550,900</u>	<u>2,679,996</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 13,682,200</u>	<u>\$ 9,063,176</u>	<u>\$ 6,595,669</u>

Schedule 4

TOWN OF DRAYTON VALLEY
SCHEDULE OF SEGMENT DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2013

	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								
Taxation	862,293	1,920,691	-	1,942,186	3,265,516	521,041	624,876	9,136,603
Sales and user charges	\$ 33,974	\$ 26,749	\$ 6,718,981	\$ 1,052,905	\$ 20,895	\$ 540,940	\$ 198,356	\$ 8,592,800
Government transfers	-	851,219	-	897,459	-	817,484	946,114	3,512,276
All other	74,075	75,052	39,418	250	-	91,812	2,400,512	2,681,119
Rentals	-	-	-	596,051	4,504	133,519	-	734,074
	<u>970,342</u>	<u>2,873,711</u>	<u>6,758,399</u>	<u>4,488,851</u>	<u>3,290,915</u>	<u>2,104,796</u>	<u>4,169,858</u>	<u>24,656,872</u>
EXPENSES								
Wages and benefits	473,107	1,003,552	965,072	1,886,796	727,152	1,289,469	920,373	7,265,521
Materials, goods, and contracted and general services	95,826	1,440,351	1,219,860	722,691	498,528	249,061	730,944	4,957,261
Professional fees	341,494	313,860	800,883	616,198	804,098	405,123	640,217	3,921,873
Repairs and maintenance	25,007	58,998	874,131	465,171	763,602	27,082	83,465	2,287,456
Utilities	24,908	41,717	559,058	615,730	407,928	27,479	25,924	1,702,744
Interest on long-term debt	1,772	1,901	107,389	95,939	95,191	96,589	56,283	455,064
Insurance	8,228	13,332	25,302	86,326	4,416	9,993	35,655	183,252
	<u>970,342</u>	<u>2,873,711</u>	<u>4,551,695</u>	<u>4,488,851</u>	<u>3,290,915</u>	<u>2,104,796</u>	<u>2,492,861</u>	<u>20,773,171</u>
NET REVENUE, BEFORE AMORTIZATION	-	-	2,206,704	-	-	-	1,676,997	3,883,701
Amortization	251,777	-	985,538	520,963	1,802,361	306,823	237,165	4,104,627
NET REVENUE	<u>\$ (251,777)</u>	<u>\$ -</u>	<u>\$ 1,221,166</u>	<u>\$ (520,963)</u>	<u>\$ (1,802,361)</u>	<u>\$ (306,823)</u>	<u>\$ 1,439,832</u>	<u>\$ (220,926)</u>

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

TOWN OF DRAYTON VALLEY
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	\$ 103,215	\$ 554,396	\$ 171,011	\$ 9,516,748
Taxation	807,593	1,657,514	-	1,781,717	2,434,199	449,838	1,632,207	8,763,068
Government transfers	-	861,217	-	883,841	413,580	854,502	902,533	3,915,673
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>4,090,135</u>	<u>24,556,628</u>
EXPENSES								
Wages and benefits	384,216	955,635	912,530	1,761,798	535,102	1,216,603	727,760	6,493,644
Materials, goods, and contracted and general services	36,637	1,397,810	1,709,783	609,267	43,716	282,996	743,171	4,823,380
Professional fees	422,254	166,122	732,819	545,185	594,258	378,775	568,276	3,407,689
Repairs and maintenance	25,135	49,871	1,134,968	479,816	1,312,973	24,317	51,615	3,078,695
Utilities	35,693	65,805	552,929	634,755	411,302	30,091	37,564	1,768,139
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	36,866	185,688
	<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	-	-	-	1,861,782	4,357,779
Amortization	249,740	-	969,984	503,234	1,796,241	299,064	193,527	4,011,790
NET REVENUE	<u>\$ (249,740)</u>	<u>\$ -</u>	<u>\$ 1,526,013</u>	<u>\$ (503,234)</u>	<u>\$ (1,796,241)</u>	<u>\$ (299,064)</u>	<u>\$ 1,668,255</u>	<u>\$ 345,989</u>

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, 2013

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 as 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 consolidated 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 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.

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, 2013

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	40 - 50 years
Machinery and equipment	5 - 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) 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.

(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.

TOWN OF DRAYTON VALLEY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) 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.

2. CASH

	<u>2013</u>	<u>2012</u>
Cash on hand	880	880
Bank accounts	<u>22,045,223</u>	<u>13,794,578</u>
	\$ <u>22,046,103</u>	\$ <u>13,795,458</u>

3. ACCOUNTS RECEIVABLE

	<u>2013</u>	<u>2012</u>
Taxes and grants in place of taxes		
Current taxes and grants in place of taxes	\$ 380,517	\$ 515,085
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>
	603,435	632,549
Trade and other	2,572,832	2,951,771
Local improvement taxes	618,366	683,447
Goods and Services Tax	<u>352,010</u>	<u>245,900</u>
	4,146,643	4,513,667
Less: Allowance for doubtful accounts	<u>(303,501)</u>	<u>(246,027)</u>
	\$ <u>3,843,142</u>	\$ <u>4,267,640</u>

TOWN OF DRAYTON VALLEY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 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>2013</u>	<u>2012</u>
Alberta Environment and Sustainable Resource Development	\$ 2,280,604	\$ -
Municipal Sustainability Initiative	2,132,290	942,821
Alberta Municipal Water / Wastewater Program	1,595,128	432,194
Federal Gas Tax Funding	810,439	38,691
Other	<u>1,120,699</u>	<u>262,086</u>
	<u>\$ 7,939,160</u>	<u>\$ 1,675,792</u>

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 5.9% 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 estimated remaining site life for Cell 4A is approximately four years (2017). Cells C, D, and 3D are essentially have no additional capacity.

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

	<u>2013</u>	<u>2012</u>
Estimated closure costs	\$ 1,399,119	\$ 1,161,000
Estimated post-closure costs	<u>1,713,093</u>	<u>2,543,223</u>
Estimated total liability	<u>3,112,212</u>	<u>3,704,223</u>
Estimated capacity remaining	28.7 %	31.0 %
Portion of total liability remaining to be recognized	<u>862,707</u>	<u>1,148,309</u>
Estimated capacity used	72.3 %	69.0 %
Accrued liability portion	<u>\$ 2,249,505</u>	<u>\$ 2,555,914</u>

TOWN OF DRAYTON VALLEY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2013

6. LONG-TERM DEBT

	<u>2013</u>	<u>2012</u>
Tax supported debentures	\$ 11,533,282	\$ 12,539,773
Other organizations	<u>-</u>	<u>37,483</u>
	<u>\$ 11,533,282</u>	<u>\$ 12,577,256</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 913,089	\$ 420,647	\$ 1,333,736
2015	866,076	388,363	1,254,439
2016	896,918	357,522	1,254,440
2017	891,710	325,832	1,217,542
2018	923,512	294,030	1,217,542
Thereafter	<u>7,041,977</u>	<u>1,296,694</u>	<u>8,338,671</u>
	<u>\$11,533,282</u>	<u>\$ 3,083,088</u>	<u>\$14,616,370</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest ranging from 2.177% to 6.125% per annum, before Provincial subsidy, and matures in periods 2015 through to 2033.

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

Interest on long-term debt amounted to \$455,064 (2012 - \$386,552).

The Town's total cash payments for interest during 2013 were \$461,354 (2012 - \$448,054).

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>2013</u>	<u>2012</u>
Total debt limit	\$ 36,985,308	\$ 36,834,942
Total debt	(11,533,282)	(12,577,256)
Loan guarantees	<u>(783,500)</u>	<u>(783,500)</u>
Amount of debt limit unused	<u>\$ 24,668,526</u>	<u>\$ 23,474,186</u>
Service on debt limit	\$ 6,164,218	\$ 6,139,157
Service on debt	<u>(1,333,736)</u>	<u>(1,396,663)</u>
Amount of debt servicing limit unused	<u>\$ 4,830,482</u>	<u>\$ 4,742,494</u>

TOWN OF DRAYTON VALLEY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2013

8. TANGIBLE CAPITAL ASSETS

	Net Book Value	
	<u>2013</u>	<u>2012</u>
	Engineered structures	
Roads	\$ 25,381,830	\$ 26,845,470
Sewer systems	16,563,462	17,025,916
Water systems	14,301,958	8,654,524
Other	<u>5,312,326</u>	<u>5,718,316</u>
	61,559,576	58,244,226
Buildings	20,817,702	20,731,509
Land	6,191,163	3,227,476
Machinery and equipment	1,981,155	1,257,154
Vehicles	<u>-</u>	<u>4,701</u>
	<u>\$ 90,549,596</u>	<u>\$ 83,465,066</u>

	Cost Beginning of Year	Additions	Disposals	Write-downs	Cost End of Year
Engineered structures					
Roads	\$ 44,545,748	\$ 335,578	\$ -	-	\$ 44,881,326
Sewer systems	25,107,472	-	-	-	25,107,472
Water systems	19,467,331	5,647,434	-	-	25,114,765
Other	<u>9,862,075</u>	<u>644,673</u>	-	-	<u>10,506,748</u>
	98,982,626	6,627,685	-	-	105,610,311
Buildings	28,593,519	723,882	-	-	29,317,401
Machinery and equipment	4,283,681	873,905	(161,367)	-	4,996,219
Land	3,227,476	3,282,227	(318,540)	-	6,191,163
Vehicles	<u>1,418,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,418,814</u>
	<u>\$ 136,506,116</u>	<u>\$ 11,507,699</u>	<u>\$ (479,907)</u>	<u>\$ -</u>	<u>\$ 147,533,908</u>

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Write-downs	Accumulated Amortization End of Year
Engineered structures					
Roads	\$ 17,700,278	\$ 1,799,218	\$ -	-	\$ 19,499,496
Sewer systems	8,081,556	462,454	-	-	8,544,010
Water systems	10,812,807	-	-	-	10,812,807
Other	<u>4,143,759</u>	<u>1,050,663</u>	-	-	<u>5,194,422</u>
	40,738,400	3,312,335	-	-	44,050,735
Buildings	7,862,010	637,689	-	-	8,499,699
Machinery and equipment	3,026,527	149,901	(161,364)	-	3,015,064
Vehicles	<u>1,414,113</u>	<u>4,701</u>	<u>-</u>	<u>-</u>	<u>1,418,814</u>
	<u>\$ 53,041,050</u>	<u>\$ 4,104,626</u>	<u>\$ (161,364)</u>	<u>\$ -</u>	<u>\$ 56,984,312</u>

Water system costs include \$5,642,070 for the new water treatment plant which is currently under construction and not being amortized.

TOWN OF DRAYTON VALLEY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2013

9. ACCUMULATED SURPLUS

	<u>2013</u>	<u>2012</u>
Unrestricted surplus	\$ 7,077,308	\$ 8,258,962
Restricted surplus (Note 10)		
Operating reserves	525,000	525,000
Capital reserves	2,895,433	2,258,996
Equity in tangible capital assets (Schedule 1)	<u>79,016,314</u>	<u>70,911,575</u>
	<u>\$ 89,514,055</u>	<u>\$ 81,954,533</u>

10. RESERVES

	<u>2013</u>	<u>2012</u>
Operating Reserves:		
Operating contingency	<u>\$ 525,000</u>	<u>\$ 525,000</u>
Capital Reserves:		
General capital	\$ 1,000,000	\$ 1,000,000
Water capital	703,417	314,301
Landfill airspace depletion	365,006	438,903
Sewer capital	327,198	103,616
Parkland capital	229,472	229,472
Storm capital	93,511	91,400
Landfill capital equipment	88,110	47,904
Affordable housing	57,889	33,400
Pool	<u>30,830</u>	<u>-</u>
	<u>\$ 2,895,433</u>	<u>\$ 2,258,996</u>

11. 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.

TOWN OF DRAYTON VALLEY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2013

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:

		<u>2013</u>			<u>2012</u>
		<u>Salary</u>	<u>Benefits and Allowances</u>	<u>Total</u>	<u>Total</u>
Mayor	Moe Hamdon	\$ 48,855	\$ 10,120	\$ 58,975	\$ 65,850
Mayor	Glen McLean	13,808	4,644	18,452	28,711
Councillor	Kyle Archer	35,117	7,675	42,792	48,397
Councillor	Debra Bossert	34,578	5,445	40,023	37,102
Councillor	Nicole Nadeau	32,038	5,640	37,678	40,357
Councillor	Dean Shular	29,363	6,613	35,976	41,515
Councillor	Corey Peebles	18,457	4,829	23,286	32,721
Councillor	Glen McLean	17,900	4,001	21,901	28,711
Councillor	Graham Long	9,113	2,546	11,659	-
Councillor	Fayrell Wheeler	8,213	2,813	11,026	-
Councillor	Nancy McClure	<u>7,853</u>	<u>2,383</u>	<u>10,236</u>	<u>-</u>
		<u>\$ 241,487</u>	<u>\$ 52,065</u>	<u>\$ 293,552</u>	<u>\$ 294,653</u>
Chief Administrative Officer		<u>\$ 206,000</u>	<u>\$ 46,453</u>	<u>\$ 252,453</u>	<u>\$ 196,621</u>
Designated Officers		<u>\$ 444,710</u>	<u>\$ 105,903</u>	<u>\$ 550,613</u>	<u>\$ 593,138</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, 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, 2013

14. 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).

15. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved the consolidated financial statements.

16. BUDGET FIGURES

The budget figures are presented for information purposes only and have not been audited.

17. COMPARATIVE FIGURES

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

18. RESTATEMENTS

(a) Public Sector Accounting Standard PS3510 *Tax Revenue*

Public sector accounting standard PS3510 *Tax Revenue* was effective for fiscal years beginning on or after April 1, 2012. The Town adopted this standard during 2013 and as result has changed the method in which local improvement taxes are recognized as revenue. Previously the Town recognized this revenue as payments were received from taxpayers over the length of time stated in the local improvement tax by-law. The Town now recognizes revenue in the year the local improvement tax is levied. This change has been applied retroactively and prior periods have been restated.

The effect on the comparative 2012 figures has been to increase receivables, decrease net debt, and increase closing accumulated surplus by \$683,447, increase opening accumulated surplus by \$746,452 and decrease revenue and the annual surplus by \$63,005.

(b) Contributed Assets on Annexation

The Town recently discovered that certain roads included in land the Town annexed from Brazeau County pursuant to a Ministerial Order in Council effective January 1, 2012 were not included in the amount the Town recorded as contributed capital assets in 2012. During 2013 the Town corrected for this retroactively and prior periods have been restated.

The effect on the comparative 2012 figures has been to increase tangible capital assets and accumulated surplus by \$2,054,350, increase amortization of tangible capital assets by \$108,124, increase contributed tangible capital assets by \$2,162,474, and increase the annual surplus by \$2,054,350.