

TOWN OF DRUMHELLER
Consolidated Financial Statements
Year Ended December 31, 2021

TOWN OF DRUMHELLER

Index to Consolidated Financial Statements

Year Ended December 31, 2021

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2 - 3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations and Accumulated Surplus	5
Consolidated Statement of Changes in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 25
Consolidated Segmented Information (<i>Schedule 1</i>)	26 - 27
Consolidated Segmented Information (<i>Schedule 2</i>)	28 - 29

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Town of Drumheller (the "Town") have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of the Town of Drumheller's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Town's Council is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the independent auditors' report.

The consolidated financial statements have been audited on behalf of Council by RSM Alberta LLP, in accordance with Canadian generally accepted auditing standards.



Chief Administrative Officer



Chief Financial Officer

Drumheller, AB
May 02, 2022



INDEPENDENT AUDITOR'S REPORT

To the Members of Council of Town of Drumheller

Opinion

We have audited the consolidated financial statements of Town of Drumheller (the Town), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2021, and the results of its consolidated operations, changes in net assets and its consolidated 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 *Auditor's 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 consolidated 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 the 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.

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Auditor's Responsibilities for the Audit of the 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 auditor's 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 auditor's 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 auditor's 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.

Edmonton, Alberta
May 2, 2022

RSM Alberta LLP
Chartered Professional Accountants

TOWN OF DRUMHELLER

Consolidated Statement of Financial Position

December 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 3,822,934	\$ 7,050,487
Investments (Note 3)	45,075,485	40,736,326
Taxes receivable (Note 4)	839,931	1,049,042
Accounts receivable (Note 5)	6,258,193	3,785,353
Accrued interest receivable	201,250	76,959
Inventory held for resale (Note 6)	2,192,985	1,796,945
	58,390,778	54,495,112
LIABILITIES		
Accounts payable and accrued liabilities	4,468,985	2,259,307
Employee benefit obligation (Note 7)	560,701	510,540
Deferred revenue (Note 8)	23,992,382	24,315,898
Long-term debt (Note 9)	7,097,616	7,822,678
	36,119,684	34,908,423
NET FINANCIAL ASSETS	22,271,094	19,586,689
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	150,973,353	146,542,862
Inventory for consumption	1,130,798	924,442
Prepaid expenses	259,370	249,084
	152,363,521	147,716,388
ACCUMULATED SURPLUS (Note 13)	\$ 174,634,615	\$ 167,303,077

CONTINGENCIES (Note 19)

COMMITMENTS (Note 20)

See notes to financial statements

TOWN OF DRUMHELLER

Consolidated Statement of Operations and Accumulated Surplus Year Ended December 31, 2021

	Budget 2021 (Note 23)	2021	2020
REVENUES			
Net municipal taxes (Note 14)	\$ 9,008,330	\$ 8,988,822	\$ 8,937,148
Sales and user fees	6,776,945	8,338,131	6,626,202
Government transfers for operating (Note 15)	787,170	1,052,235	1,943,428
Franchise and concessions	1,863,545	1,805,350	1,801,955
Investment income	415,000	332,415	586,733
Other	415,310	325,711	294,099
Rentals	268,375	340,381	273,296
Penalties and costs on taxes	165,650	174,523	137,956
	19,700,325	21,357,568	20,600,817
EXPENSES			
Legislative	353,660	329,786	267,439
Administration	1,711,785	1,915,494	1,820,755
Protective services	2,549,393	2,759,532	5,267,628
Transportation services	3,121,338	5,357,067	3,973,481
Water and wastewater	5,717,230	5,266,297	5,025,248
Waste management	374,960	390,545	394,159
Planning and development	900,633	831,337	981,842
Recreation and parks	4,931,438	4,654,437	3,635,218
Public health and welfare	587,338	531,283	553,702
	20,247,775	22,035,778	21,919,472
DEFICIT FROM OPERATIONS	(547,450)	(678,210)	(1,318,655)
CAPITAL REVENUES			
Government transfers for capital (Note 15)	3,336,500	7,929,461	9,924,858
Other capital	-	120,488	-
(Loss) gain on disposal of tangible capital assets	-	(40,201)	38,929
	3,336,500	8,009,748	9,963,787
ANNUAL SURPLUS	2,789,050	7,331,538	8,645,132
ACCUMULATED SURPLUS - BEGINNING OF YEAR	167,303,077	167,303,077	158,657,945
ACCUMULATED SURPLUS - END OF YEAR	\$ 170,092,127	\$ 174,634,615	\$ 167,303,077

See notes to financial statements

TOWN OF DRUMHELLER

Consolidated Statement of Changes in Net Financial Assets

Year Ended December 31, 2021

	Budget 2021 (Note 23)	2021	2020
ANNUAL SURPLUS	\$ 2,789,050	\$ 7,331,538	\$ 8,645,132
Acquisition of tangible capital assets	(3,843,560)	(9,761,282)	(11,233,574)
Amortization of tangible capital assets	4,064,258	4,950,983	4,721,130
Gain on sale of tangible capital assets	-	40,201	(38,929)
Transfer out of construction in progress	-	249,414	422,944
Proceeds on sale of tangible capital assets	-	90,193	80,784
	220,698	(4,430,491)	(6,047,645)
Decrease (increase) in prepaid expenses	-	(10,286)	41,496
(Increase) decrease in inventory for consumption	-	(206,356)	(329,790)
	220,698	(4,647,133)	(6,335,939)
INCREASE IN NET FINANCIAL ASSETS	3,009,748	2,684,405	2,309,193
NET FINANCIAL ASSETS - BEGINNING OF YEAR	19,586,689	19,586,689	17,277,496
NET FINANCIAL ASSETS - END OF YEAR	\$ 22,596,437	\$ 22,271,094	\$ 19,586,689

See notes to financial statements

TOWN OF DRUMHELLER

Consolidated Statement of Cash Flows

Year Ended December 31, 2021

	2021	2020
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual surplus	\$ 7,331,538	\$ 8,645,132
Items not affecting cash:		
Amortization of tangible capital assets	4,950,983	4,721,130
Loss (gain) on disposal of tangible capital assets	40,201	(38,929)
Transfer out of construction in progress	249,414	422,944
	12,572,136	13,750,277
Changes in non-cash working capital:		
Taxes receivable	209,111	70,533
Accounts receivable	(2,472,840)	387,269
Accrued interest receivable	(124,291)	17,653
Inventory held for resale	(396,040)	63,569
Accounts payable and accrued liabilities	2,209,678	(420,973)
Employee benefit obligation	50,161	25,939
Deferred revenue	(323,516)	13,007,221
Inventory for consumption	(206,356)	(329,790)
Prepaid expenses	(10,286)	41,496
	(1,064,379)	12,862,917
	11,507,757	26,613,194
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(9,761,282)	(11,233,574)
Proceeds on disposal of tangible capital assets	90,193	80,784
	(9,671,089)	(11,152,790)
INVESTING ACTIVITIES		
Purchase of investments	(47,559,359)	(17,056,268)
Proceeds on redemption of investments	43,220,200	3,882,468
	(4,339,159)	(13,173,800)
FINANCING ACTIVITIES		
Repayment of long-term debt	(725,062)	(698,934)
	(725,062)	(698,934)
(DECREASE) INCREASE IN CASH AND CASH EQUIVELANTS	(3,227,553)	1,587,670
Cash and cash equivalants - beginning of year	7,050,487	5,462,817
CASH AND CASH EQUIVELANTS - END OF YEAR	\$ 3,822,934	\$ 7,050,487

See notes to financial statements

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Drumheller (the "Town") are the representations of management prepared in accordance with Canadian Public Sector Accounting Standards (PSAS). Significant aspects of the accounting policies adopted by the Town are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, changes in net financial assets and cash flows of the reporting entity. This entity is comprised of the municipal operations plus all the organizations that are owned or controlled by the Town and therefore, are accountable to the Town Council for the administration of their financial affairs and resources. The summary of taxes levied (Note 14) also includes requisitions for education and social organizations that are not part of the municipal reporting entity.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash on deposit less outstanding cheques at the reporting date.

Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a decline in the market value which is other than temporary in nature, the respective investments are written down to market value. During the year, there was no impairment recorded (2020 - \$nil).

Inventory held for resale

Inventory held for resale includes land and buildings. Inventory 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 leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under their respective function. During the year, there was no impairment recorded (2020 - \$nil).

Inventory for consumption

Inventory for consumption is valued at the lower of cost or net realizable value with cost determined using the average cost method.

Contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

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TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to the acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the contribution, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	15 to 45 years
Buildings	25 to 50 years
Engineered Structures	45 to 75 years
Water system	
Wastewater system	45 to 75 years
Road system	5 to 65 years
Machinery and equipment	5 to 40 years
Motor Vehicles	10 to 40 years

One-half of the annual amortization is charged in the year of acquisition. Work in process (assets under construction) have a cost of \$10,514,412 (2020 - \$4,494,398) and are not amortized until the asset is available for productive use.

Retirement benefits and other employee benefits plans

The Town's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred.

Excess collections and under-levies

Excess collections 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 excess collection is accrued as a liability and as a reduction in property tax revenue. Requisition tax rates in the subsequent year are adjusted for any excess collections.

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TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Collection of taxes on behalf of other taxation authorities

The Town collects taxation revenue on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of entities are not reflected in these financial statements.

The entities the Town collects taxation revenue on behalf of are:

- Alberta School Foundation Fund
- Drumheller and District Seniors Foundation

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, along with excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year. Non-financial assets include tangible capital assets, inventory for consumption, and prepaid expenses.

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from these estimates.

Significant estimates include assumptions used in a number of areas including useful lives of tangible capital assets and the determination of reserves. Estimates are also used for various liabilities including accrued liabilities. Other areas that estimates are used include revenue recognized in the year, provision for tax exempt appeals, investment impairment, provisions for allowances in accounts receivable and in performing actuarial valuations of employee future benefits.

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TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes, are accounted for as deferred revenue on the consolidated Statement of Financial Position. The revenue is recognized in the consolidated Statement of Operations in the year in which it is used for the specified purpose.

Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act (MGA). Tax mill rates are established annually. Taxation revenues are recorded at the time the tax billings are issued. Assessments are subject to appeal. Losses on assessment appeals are recorded as adjustments to tax revenues and receivables when a written decision is received from the authorized board.

Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.

Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenses are made.

Sales of service and other revenue are recognized on an accrual basis.

Revenues from the provision of goods or services are recognized in the period in which the goods are provided or the services are rendered. Rental revenues are recognized in the period to which they relate.

Investment income is reported as revenue in the period earned. When required by agreement or legislation, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance

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TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Future accounting pronouncements

The following summarizes upcoming changes to public sector accounting standards issued by the Public Sector Accounting Standards Board. The Town will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption may vary, certain standards must be adopted concurrently. The requirements in Financial Statement Presentation (PS1201), Financial Instruments (PS3450), Foreign Currency Translations (PS2601) and Portfolio Investments (PS3041) must be implemented at the same time.

PS 1201 - Financial Statement Presentation: The implementation of this standard requires a new statement of re-measurement gains and losses separate from the statement of operations. This new statement will include the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currency. This standard is effective for fiscal years beginning on or after April 1, 2022.

PS 2601 - Foreign Currency Translation: This section establishes guidance on the recognition, measurement, presentation and disclosure of assets and liabilities denominated in foreign currencies. The Section requires monetary assets and liabilities, denominated in a foreign currency, and non-monetary items valued at fair value, denominated in a foreign currency, to be adjusted to reflect the exchange rates in effect at the financial statement date. The resulting unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is effective for fiscal years beginning on or after April 1, 2022.

PS 3041 - Portfolio Investments: This section removes the distinction between temporary and portfolio investments and provides additional guidance on recognition, measurement, presentation and disclosure of portfolio investments. Upon adoption of this section and PS 3450, PS 3040 - Portfolio Investments will no longer be applicable. This standard is effective for fiscal years beginning on or after April 1, 2022.

PS 3450 - Financial Instruments: This section establishes recognition, measurement, and disclosure requirements for derivative and non-derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments; all other financial instruments can be measured at either cost or fair value depending upon elections made by the Town. Unrealized gains and losses will be presented on the new statement of re-measurement gains and losses arising from the adoption of PS 1201. There will also be a requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is effective for fiscal years beginning on or after April 1, 2022.

PS 3280 - Asset Retirement Obligations: This section establishes the recognition, measurement, and disclosure requirements for asset retirement obligations. This section requires management to prepare a best estimate of the obligation when there is a legal obligation to incur retirement costs, the transaction giving rise to the liability has occurred and future costs will be incurred. The liability must be reassessed at each financial statement date. This standard is effective for fiscal years beginning on or after April 1, 2022.

PS 3400 - Revenue: This section provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions. This standard is effective for fiscal years beginning on or after April 1, 2023.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

2. CASH AND CASH EQUIVALENTS

	2021	2020
Current accounts	\$ 3,725,413	\$ 6,890,081
Investment margin accounts	97,521	160,406
	\$ 3,822,934	\$ 7,050,487

At December 31, 2021, the Town had an authorized line of credit available from its bank in the amount of \$4,000,000 bearing interest at bank prime less 0.75% per annum. At year end, no amounts were drawn against its available line of credit.

Included in cash is \$1,915,219 (2020 - \$1,624,969) which is held in trust for future capital purchases related to the flood mitigation project.

3. INVESTMENTS

	2021 Cost	2021 Market value	2020 Cost	2020 Market value
<u>Short-term</u>				
Term deposits	\$ 13,315,654	\$ 13,315,654	\$ 37,082,317	\$ 37,082,317
Fixed income notes	1,300,000	1,263,509	248,467	251,480
Principal protected notes	-	-	-	-
<u>Long-term</u>				
Fixed income notes	20,447,645	20,183,288	2,798,856	3,045,002
Principal protected notes	10,007,400	9,970,009	601,900	588,128
Other	4,786	4,786	4,786	4,786
	\$ 45,075,485	\$ 44,737,246	\$ 40,736,326	\$ 40,971,713

Short-term term deposits bear variable interest at 1.00% per annum (2020 - 0.75% to 1.80% per annum) and mature between July and August 2022 (2020 - January and December 2021). Short-term fixed income notes mature September 2022 (2020 - September and December 2021) and bear interest of 1.87% per annum (2020 - 1.90 to 3.45% per annum).

Included in investments is a restricted amount of \$20,659,612 (2020 - \$20,688,710) received from various grant programs and held exclusively for approved projects. Included in investments is an internally restricted amount of \$24,518,997 (2020 - \$20,047,616) to fund specific reserves.

Long-term fixed income notes bear interest at 1.00% to 5.600% per annum (2020 - 1.00% to 9.976% per annum) and mature June 2024 to December 2048 (2020 - December 2022 to December 2048).

Principal protected notes mature February 2027 to November 2031 (2020 - February and March 2027).

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

4. TAXES RECEIVABLE

	2021	2020
Current taxes and grants in place	\$ 422,943	\$ 600,709
Non-current taxes and grants in place	857,320	966,556
	1,280,263	1,567,265
Less: allowance for doubtful accounts	(440,332)	(518,223)
	\$ 839,931	\$ 1,049,042

5. ACCOUNTS RECEIVABLE

	2021	2020
Trade receivable	\$ 2,842,842	\$ 1,619,260
Government grants receivable	3,476,545	2,228,447
	6,319,387	3,847,707
Less: allowance for doubtful accounts	(61,194)	(62,354)
	\$ 6,258,193	\$ 3,785,353

Included in trade receivable is \$302,943 (2020 - \$222,143) of goods and service tax receivable.

6. INVENTORY HELD FOR RESALE

	2021	2020
Land held for resale	\$ 2,192,985	\$ 1,796,945

Land held ready for resale is land in a condition to be sold, marketed for sale, and reasonably anticipated to be sold within a year.

7. EMPLOYEE BENEFIT OBLIGATION

	2021	2020
Accrued vacation pay	\$ 329,296	\$ 296,653
Accrued long-term service benefits	231,405	213,887
	\$ 560,701	\$ 510,540

Accrued vacation pay is comprised of the vacation that employees are deferring to future years. Accrued long-term service benefits are calculated per policy at 2 days per year of service over 10 years at the current rate of pay. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

8. DEFERRED REVENUE

	Opening Balance	Contributions Received	Interest Earned	Revenue Recognized	Ending Balance
MSI grant	\$ 1,584,958	\$ 2,034,042	\$ 15,832	\$ (1,434,155)	\$ 2,200,677
Gas Tax fund	611,892	934,602	7,116	(260,840)	1,292,770
Policing grant	90,964	363,856	-	(363,856)	90,964
Alberta Community Resilience grant	4,442,411	-	19,003	(3,640,219)	821,195
Kneehill	675,307	-	-	(75,034)	600,273
Flood Mitigation	16,209,071	-	118,516	(459,862)	15,867,725
STIP	-	1,000,000	3,138	(42,773)	960,365
AMWWP Grant	-	650,000	2,269	-	652,269
Other	701,295	1,349,025	-	(544,176)	1,506,144
	\$ 24,315,898	\$ 6,331,525	\$ 165,874	\$ (6,820,915)	\$ 23,992,382

Under various grant agreements with the Government of Canada and the Province of Alberta, the Town is required to account for grants provided and to complete the projects or program in accordance with standards detailed in the various agreements. If these requirements are not adhered to, grants provided will become repayable to the source government. Excess funds are repayable to the source government upon final accounting. Funds are deferred until related expenses under the specific grant agreement have been incurred. The funds are included in cash and cash equivalents and investments.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

9. LONG-TERM DEBT

	2021	2020
Various Alberta Capital Finance Authority Debentures, bearing interest at 4.252% to 5.012% per annum, with blended combined semi-annual payments of \$486,926 due 2022 through 2033. Debenture debt is issued on the credit and security of the Town of Drumheller at large.	\$ 6,778,176	\$ 7,463,303
Alberta Capital Finance Authority Debenture, bearing interest at 2.765% per annum, with blended combined semi-annual payments of \$14,257 due June 15, 2035. Debenture debt is issued on the credit and security of the Town of Drumheller at large.	319,440	338,721
CMHC mortgage payable, bearing interest at 12.50% per annum, with annual blended payments of \$22,313, fully repaid during the year.	-	20,654
	\$ 7,097,616	\$ 7,822,678

Principal repayment terms are approximately:

	Principal Repayments	Interest Payments	Total
2022	\$ 729,941	\$ 294,270	\$ 1,024,211
2023	762,170	262,041	1,024,211
2024	795,839	228,372	1,024,211
2025	831,011	193,200	1,024,211
2026	867,755	156,457	1,024,212
Thereafter	3,110,900	320,251	3,431,151
	<u>\$ 7,097,616</u>	<u>\$ 1,454,591</u>	<u>\$ 8,552,207</u>

Interest on long-term debt amounted to \$321,603 (2020 - \$353,280)

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

10. DEBENTURE DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation for the Town to be disclosed as follows:

	2021	2020
Total debt limit	\$ 32,036,352	\$ 30,901,224
Total debt	(7,097,616)	(7,822,678)
	24,938,736	23,078,546
Debt servicing limit	5,339,392	5,150,204
Debt servicing	(1,051,973)	(1,057,423)
Amount of debt servicing limit unused	4,287,419	4,092,781

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

11. TANGIBLE CAPITAL ASSETS

Cost	2020 Balance	Additions	Disposals / Transfers	2021 Balance
Land	\$ 17,354,473	\$ 1,262,005	\$ -	\$ 18,616,478
Land improvements	3,981,433	-	-	3,981,433
Buildings	42,173,029	232,671	-	42,405,700
Engineered structures	169,948,103	868,021	-	170,816,124
Equipment	9,481,174	1,040,127	(127,716)	10,393,585
Motor vehicles	4,307,217	29,030	(364,333)	3,971,914
Work in progress	4,434,398	6,329,428	(249,414)	10,514,412
	\$ 251,679,827	\$ 9,761,282	\$ (741,463)	\$ 260,699,646

Accumulated Amortization	2020 Balance	Amortization	Accumulated Amortization on Disposals	2021 Balance
Land improvements	\$ 3,324,934	\$ 105,794	\$ -	\$ 3,430,728
Buildings	12,751,589	821,546	-	13,573,135
Engineered structures	81,383,722	3,240,524	-	84,624,246
Equipment	5,274,611	492,233	(83,811)	5,683,033
Motor vehicles	2,402,109	290,886	(277,844)	2,415,151
	\$ 105,136,965	\$ 4,950,983	\$ (361,655)	\$ 109,726,293

Net book value	2021	2020
Land	\$ 18,616,478	\$ 17,354,473
Land improvements	550,705	656,499
Buildings	28,832,565	29,421,440
Engineered structures	86,191,878	88,564,381
Equipment	4,710,552	4,206,563
Motor vehicles	1,556,763	1,905,108
Work in progress	10,514,412	4,434,398
	\$ 150,973,353	\$ 146,542,862

During the year, \$249,414 (2020 - \$422,944) was transferred from work in progress to engineered structures as work was completed and the asset was made available for productive use.

Included in land is \$4,397,329 (2020 - \$3,938,929) of properties acquired for the flood mitigation project. The properties are held by a separate entity that is controlled by the Town.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2021	2020
Tangible capital assets (Note 11)	\$ 260,699,646	\$ 251,679,827
Accumulated amortization (Note 11)	(109,726,293)	(105,136,965)
Debenture debt (Note 10)	(7,097,616)	(7,822,678)
	\$ 143,875,737	\$ 138,720,184

13. ACCUMULATED SURPLUS

	2021	2020
Equity in tangible capital assets (Note 12)	\$ 143,875,737	\$ 138,720,184
Unrestricted (deficit) surplus	477,059	(14,280)
	144,352,796	138,705,904
Wastewater	4,753,407	4,665,847
Facilities	4,276,942	4,155,209
Equipment	4,167,191	3,857,942
Water	8,103,245	6,611,516
Contingencies	1,710,978	1,702,321
Transportation - long-term	3,741,830	3,730,686
Contingencies - long-term	2,172,126	2,023,171
Offsite levies	446,275	425,980
Storm drain	1,077,058	950,446
Utility energy savings	387,000	387,000
Sandstone	181,000	181,000
General capital	93,597	55,000
Scholarship	36,600	36,600
Management incentive fund	35,000	35,000
Municipal reserves	12,236	12,236
Land	(912,666)	(232,781)
	30,281,819	28,597,173
	\$ 174,634,615	\$ 167,303,077

The equity in tangible capital assets represents amounts already spent and invested in infrastructure. Reserve funds represent funds set aside by bylaw or council resolution for specific purposes.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

14. NET MUNICIPAL TAXES

	Budget 2021 (Note 23)	2021	2020
Real property	\$ 11,922,650	\$ 11,675,191	\$ 11,626,628
Machinery and equipment	31,250	39,576	33,144
Linear property	408,660	435,028	428,831
Special assessments and local improvement taxes	-	57,779	57,779
	12,362,560	12,207,574	12,146,382
Requisitions			
Alberta School Foundation Fund	(2,800,000)	(2,664,522)	(2,678,614)
Sunshine Senior's Lodge	(554,230)	(554,230)	(530,620)
	(3,354,230)	(3,218,752)	(3,209,234)
Net municipal taxes	\$ 9,008,330	\$ 8,988,822	\$ 8,937,148

15. GOVERNMENT TRANSFERS

	Budget 2021 (Note 23)	2021	2020
Operating			
Federal government	\$ 5,000	\$ 109,652	\$ 100,294
Provincial government	706,470	942,583	1,843,134
Operating	711,470	1,052,235	1,943,428
Capital			
Federal government	-	1,911,376	5,502,490
Provincial government	3,336,500	6,018,085	4,422,368
	3,336,500	7,929,461	9,924,858
Total government transfers	\$ 4,047,970	\$ 8,981,696	\$ 11,868,286

Capital government transfers include \$461,215 (2020 - \$3,938,329) for property acquisition related to the flood mitigation project. Budgeted amounts for the flood mitigation project were included in the 2020 budget and therefore are not represented in the 2021 budget.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

16. EXPENSES BY OBJECT

	Budget 2021 (Note 23)	2021	2020
Salaries and wages	\$ 6,992,031	\$ 6,552,550	\$ 6,603,199
Contracted and general services	4,136,200	5,723,925	5,700,274
Purchases from other governments	1,355,685	1,440,852	1,415,990
Materials, goods and utilities	2,794,111	2,453,679	2,445,006
Transfer to local agencies	461,265	442,140	534,765
Bank charges and short-term interest	28,540	17,919	16,124
Interest on long-term debt	354,430	321,603	353,280
Amortization	4,064,258	4,953,293	4,721,130
Other expenses	61,255	129,817	129,704
	\$ 20,247,775	\$ 22,035,778	\$ 21,919,472

17. LOCAL AUTHORITIES PENSION PLAN

Certain employees of the Town are eligible to be members of the Local Authorities Pension Plan ("LAPP"), a multi-employer pension plan which is covered by the Public Sector Pension Plans Act. The Plan serves about 200,000 people and over 400 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund. The plan provides defined pension benefits to employees based on their length of service and rates of pay.

The Town contributes to the Plan at a rate of 9.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 13.84% for the excess. Employees contribute to the Plan at a rate of 8.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 12.84% for the excess.

Contributions for the year were:

	2021	2020
Employer contributions	\$ 395,768	\$ 359,468
Employee contributions	357,130	324,295
	\$ 752,898	\$ 683,763

As this is a multi-employer pension plan, these contributions comprise the Town's pension benefit expense. No pension liability for this type of plan is included in the Town's financial statements. The most recent valuation as of December 31, 2020 indicates a surplus of \$4,961,337 (2019 - surplus of \$7,913,261) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers. The 2021 amounts are not yet available.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

18. SALARIES AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salary	Benefits and Allowances	2021 Total	2020 Total
Mayor Colberg	\$ 48,147	\$ 7,515	\$ 55,662	\$ 57,452
Councillor Hansen-Zacharuk	25,522	5,440	30,962	32,153
Councillor Garbutt	22,400	4,707	27,107	33,266
Councillor Zariski	28,122	3,679	31,801	34,309
Councillor DeMott	21,100	2,980	24,080	30,913
Councillor Lacher	26,302	2,318	28,620	29,715
Councillor Makowecki	21,100	3,770	24,870	32,719
Councillor Sereda	4,773	775	5,548	-
Councillor Kolafa	5,293	804	6,097	-
Councillor Price	4,773	775	5,548	-
Chief Administrative Officer Drohmerski (CAO)	191,853	32,348	224,201	205,116

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

Benefits and allowances include employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada Pension Plan, employment insurance, health care, extended health, vision, group life, accidental death and long and short-term disability plans.

Benefits for the CAO include the use of an automobile.

19. CONTINGENCIES

The Town, in conduct of its normal activities, can be named as a defendant in legal proceedings. The ultimate outcome of these proceedings can often not be determined until the proceedings are completed. Should any loss result from the resolution of these proceedings or if the amount of the loss can be determined, such amounts would be expensed as they become known to the Town.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

20. COMMITMENTS

The Town has entered into agreements with the Government of Canada and Government of Alberta to implement the Drumheller Flood Mitigation System. The total cost of the program is expected to be approximately \$55 million and will span over a period of approximately 5 years. Under the terms of the agreements, the Provincial government will provide fifty (50) percent of the funding, the Federal government will provide forty (40) percent of the funding, and the Municipality will provide ten (10) percent of the funding required to purchase and construct assets as part of the Drumheller Flood Mitigation System. As part of the program, the Town will be awarding contracts to several contractors over the life of the project.

The Town has a contract with the Government of Canada to provide policing services through to March 31, 2032. Under the contract the Town pays for 70% of the operating costs. The estimated annual contract costs for 2021 is \$1,441,000 (2020 - \$1,416,000)

The Town has a forward purchase agreement to obtain electricity for January 2021 - December 2023 at a fixed rate of \$44.89/MWh for contract volumes of 6,818 MWh. The Town entered into a forward purchase agreement to obtain electricity for January 2024 to December 2026 at a fixed rate of \$53.99 for contract volumes of 6,954 MWh.

The Town has an agreement to obtain physical supply for natural gas expiring September 30th, 2022 at a fixed rate of \$2.50/GJ up to a maximum of 34,603 GJs/year. The Town has a partial-hedge product in place for natural gas whereby 70% of the Town's weather-normalized historical volumes (34,603 GJs previously mentioned) were purchased at the fixed price of \$2.50/GJ. The remaining 30% of the volumes is floating on the monthly average AECO Spot price for natural gas.

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

22. SEGMENTED INFORMATION

The Town is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Protective Services

Protective services is comprised of police, bylaw enforcement and fire protection. This service area is responsible for the overall safety of the public through various prevention and enforcement activities.

Transportation Services

Transportation services is responsible for the delivery of municipal public works services related to the planning, the development and maintenance of roadway systems, the maintenance of park and open space and street lighting.

Water and Wastewater Service

Water and wastewater provides drinking water to the Town's citizens and collects and treats wastewater. The Town processes and cleans sewage and ensures the water system meets all Provincial standards.

Waste Management Services

Waste management provides collection, disposal and recycling programs.

Planning and Development

The planning department provides a number of services including town planning and enforcement of building and construction codes and review of all property development plan through its application process.

Recreation and Parks

This service area maintains recreation infrastructure such as parks, arenas, aquatic centres and community centres as well as provides recreational programs and cultural programs at those locations.

Public Health and Welfare

This service area provides and administers community support programs.

General Government

This service area includes legislative and administrative support to all other service areas and also relates to the revenues and expenses that relate to the operations of the Town itself and cannot be directly attributed to a specific segment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers have been eliminated. The revenues and expenses that are directly attributable to a particular segment are allocated to that segment. Taxation has been allocated to general government except where specific tax revenues can be directly allocated to a service area.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

23. BUDGET

The reported budget information has been derived from the tax supported operating budget approved by Council on February 22, 2021, the utilities supported operating budget approved by Council on December 21, 2020, and the capital budget approved by Council on April 19, 2021. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	2021
Revenues per tax supported operating budget	\$ 14,116,895
Revenues per utilities supported operating budget	5,583,430
	19,700,325
Expenses per tax supported operating budget	(14,530,545)
Expenses per utilities supported operating budget	(5,717,230)
	(20,247,775)
Revenues per capital approved budget	3,843,560
Less transfers drawn from capital reserve	(507,060)
	3,336,500
Excess of revenues over expenses	\$ 2,789,050

24. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

TOWN OF DRUMHELLER

Consolidated Segmented Information

(Schedule 1)

Year Ended December 31, 2021

	Protective Services	Transportation Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	Total 2021
REVENUES									
Net municipal taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,988,822	\$ 8,988,822
Government transfers for operating	366,359	-	-	-	39,003	60,719	313,045	273,109	1,052,235
Government transfers for capital	6,012,811	1,684,788	12,291	-	-	219,571	-	-	7,929,461
Sales and user fees	329,499	1,768,219	5,702,225	128,367	75,309	144,219	36,615	153,678	8,338,131
Franchise and concessions	-	-	-	-	-	-	-	1,805,350	1,805,350
Investment income	-	-	-	-	-	-	-	332,415	332,415
Penalties and costs on taxes	-	-	19,926	-	-	-	-	154,597	174,523
Rentals	-	4,500	-	-	73,677	262,204	-	-	340,381
Other	961	129,540	91,126	-	127,974	19,980	42,198	34,420	446,199
Gain on disposal of tangible capital assets	4,845	(45,191)	-	-	-	-	145	-	(40,201)
	6,714,475	3,541,856	5,825,568	128,367	315,963	706,693	392,003	11,742,391	29,367,316

(continues)

TOWN OF DRUMHELLER

Consolidated Segmented Information *(continued)*

(Schedule 1)

Year Ended December 31, 2021

	Protective Services	Transportation Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	Total 2021
EXPENSES (BY OBJECT)									
Salaries and wages	752,771	862,761	1,391,796	20,398	239,429	1,868,081	364,810	1,052,504	6,552,550
Contracted and general services	276,504	2,220,302	678,900	370,274	195,594	1,007,203	114,495	860,653	5,723,925
Amortization	223,744	1,499,961	2,201,646	-	103,900	768,079	4,499	151,464	4,953,293
Purchases from other governments	1,440,852	-	-	-	-	-	-	-	1,440,852
Materials, goods and utilities	64,293	770,368	815,661	-	44,727	656,784	16,072	85,774	2,453,679
Transfer to local agencies	1,472	-	-	-	205,637	203,558	31,473	-	442,140
Interest and bank charges	-	5,198	676	-	87	7,608	49	4,301	17,919
Interest on long term debt	-	-	177,618	-	-	143,985	-	-	321,603
Other expenses	(105)	(1,523)	-	(127)	41,963	(860)	(115)	90,584	129,817
	2,759,531	5,357,067	5,266,297	390,545	831,337	4,654,438	531,283	2,245,280	22,035,778
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	\$ 3,954,944	\$ (1,815,211)	\$ 559,271	\$ (262,178)	\$ (515,374)	\$ (3,947,745)	\$ (139,280)	\$ 9,497,111	\$ 7,331,538

See notes to financial statements

TOWN OF DRUMHELLER

Consolidated Segmented Information

(Schedule 2)

Year Ended December 31, 2020

	Protective Services	Transportation Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	Total 2020
REVENUES									
Net municipal taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,937,148	\$ 8,937,148
Government transfers for operating	1,191,525	-	-	-	248,475	29,400	398,373	75,655	1,943,428
Government transfers for capital	4,181,327	1,239,840	448,315	-	3,938,329	117,047	-	-	9,924,858
Sales and user fees	310,340	254,058	5,416,861	123,926	71,209	268,887	39,361	141,560	6,626,202
Franchise and concessions	-	-	-	-	-	-	-	1,801,955	1,801,955
Investment income	-	-	-	-	-	-	-	586,733	586,733
Penalties and costs on taxes	-	-	18,936	-	-	-	-	119,020	137,956
Rentals	-	4,250	-	-	48,076	220,970	-	-	273,296
Other	13,078	5,821	95,724	62	101,431	17,036	21,571	39,376	294,099
Gains (losses) on disposal of assets	11,500	8,789	-	-	-	18,640	-	-	38,929
	5,707,770	1,512,758	5,979,836	123,988	4,407,520	671,980	459,305	11,701,447	30,564,604

(continues)

See notes to financial statements

TOWN OF DRUMHELLER

Consolidated Segmented Information (continued)

(Schedule 2)

Year Ended December 31, 2020

	Protective Services	Transportation Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	Total 2020
EXPENSES (BY OBJECT)									
Salaries and wages	1,618,575	869,262	1,334,950	24,409	134,071	1,406,028	295,250	920,654	6,603,199
Contracted and general services	1,622,262	1,113,184	577,622	369,624	357,097	684,605	164,864	811,016	5,700,274
Amortization	155,205	1,404,390	2,172,122	-	103,899	746,350	3,299	135,865	4,721,130
Purchases from other governments	1,415,990	-	-	-	-	-	-	-	1,415,990
Materials, goods and utilities	454,651	583,521	744,350	-	88,904	419,843	65,205	88,532	2,445,006
Transfer to local agencies	839	-	-	-	296,118	213,808	24,000	-	534,765
Interest and bank charges	-	1,600	1,110	-	94	8,057	46	5,217	16,124
Interest on long term debt	-	-	195,094	-	1,659	156,527	-	-	353,280
Other expenses	105	1,523	-	127	-	-	1,038	126,911	129,704
	5,267,627	3,973,480	5,025,248	394,160	981,842	3,635,218	553,702	2,088,195	21,919,472
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES									
	\$ 440,143	\$ (2,460,722)	\$ 954,588	\$ (270,172)	\$ 3,425,678	\$ (2,963,238)	\$ (94,397)	\$ 9,613,252	\$ 8,645,132

See notes to financial statements