

**Town of Drumheller
Consolidated Financial Statements
Year Ended December 31, 2022**

Town of Drumheller
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Year Ended December 31, 2022

Auditor's Report

Consolidated Financial Statements

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Independent Auditor's Report

To the Mayor and Members of Council for the Town of Drumheller

Qualified Opinion

We have audited the consolidated financial statements of the Town of Drumheller and its controlled or owned organizations (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of operations, consolidated change in net financial assets, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated results of its operations, change in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

Basis for Qualified Opinion

As disclosed in Note 14, the Group has identified potential contaminate sites which will require future reclamation. The Group has not undertaken to estimate the liability in respect to contaminated sites and therefore has recorded no provision for this liability. The effects of this deviation from Canadian public sector accounting standards on contaminated sites and annual surplus for the year ended December 31, 2022 and annual surplus for the year ended December 31, 2021, liabilities as at December 31, 2022, and both net financial assets and accumulated surplus as at January 1 and December 31, 2022 has not been determined as it is impracticable to do so and the effects could be material.

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

Other Matters

The consolidated financial statement for the year ended December 31, 2021 were audited by another auditor who expressed a unqualified opinion on those consolidated financial statements on May 2, 2022.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report, continued

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Group'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 Group'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 Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Chartered Professional Accountants

Red Deer, Alberta

July 10, 2023

Town of Drumheller
Consolidated Statement of Financial Position

December 31	2022	2021
Financial assets		
Cash and cash equivalents (Note 1)	\$ -	\$ 3,822,934
Short-term investment (Note 2)	36,664,298	45,075,485
Taxes receivable (Note 3)	921,108	839,931
Accounts receivable (Note 4)	9,787,485	6,258,193
Accrued interest receivable	256,959	201,250
	47,629,850	56,197,793
Liabilities		
Bank indebtedness (Note 1)	435,880	-
Accounts payable and accrued liabilities	7,501,168	4,468,986
Employee benefit obligation (Note 5)	850,482	560,701
Deferred revenue (Note 6)	12,009,177	23,992,382
Long-term debt (Note 7)	6,367,676	7,097,617
	27,164,383	36,119,686
Net financial assets	20,465,467	20,078,107
Non-financial assets		
Tangible capital assets (Note 8)	164,579,322	150,973,353
Land held for resale (Note 9)	2,563,886	2,192,985
Inventory for consumption	650,203	1,130,798
Prepaid expenses	234,999	259,370
	168,028,410	154,556,506
Accumulated surplus (Note 11)	\$ 188,493,877	\$ 174,634,613
Debenture debt limits (Note 13)		
Contingencies (Note 14)		
Commitments (Note 15)		

Town of Drumheller
Consolidated Statement of Operations

For the year ended December 31	Budget 2022	2022	2021
Revenue			
Net municipal taxes (Note 16)	\$ 9,203,735	\$ 9,212,285	\$ 8,988,822
Government transfers for operating (Note 17)	1,249,246	1,079,314	1,052,235
Sales and user fees	7,513,234	7,614,746	8,338,131
Rental revenue	357,075	533,739	340,381
Franchises and concessions	1,863,545	2,023,698	1,805,350
Investment income	475,000	523,273	332,415
Penalties and costs on taxes	176,500	177,366	174,523
Other	253,794	607,997	325,711
	<u>21,092,129</u>	<u>21,772,418</u>	<u>21,357,568</u>
Expenditures (Note 18)			
Legislative	394,606	338,714	329,786
Administration	1,909,939	2,202,081	1,915,494
Protective services	3,100,698	3,519,563	2,759,532
Transportation services	3,064,045	3,977,061	5,357,067
Water and wastewater	5,836,189	5,620,049	5,266,297
Waste management	387,710	401,994	390,545
Planning and development	980,775	880,455	831,337
Recreation and parks	5,179,090	6,248,023	4,654,438
Public health and welfare	554,496	590,207	531,283
	<u>21,407,548</u>	<u>23,778,147</u>	<u>22,035,779</u>
Deficiency of revenue over expenditures - before other	(315,419)	(2,005,729)	(678,211)
Other			
Government transfers for capital (Note 17)	18,855,715	18,855,715	7,929,460
Other capital revenues	-	224,245	120,488
Loss on disposal of tangible capital assets	-	(2,205,944)	(40,201)
Impairment of land held for resale	-	(1,009,023)	-
	<u>18,540,296</u>	<u>13,859,264</u>	<u>7,331,536</u>
Accumulated surplus, beginning of the year	<u>174,634,613</u>	<u>174,634,613</u>	<u>167,303,077</u>
Accumulated surplus, end of year	<u>\$ 193,174,909</u>	<u>\$ 188,493,877</u>	<u>\$ 174,634,613</u>

Town of Drumheller
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2022	2022	2021
Excess of revenue over expenditures	18,540,296	13,859,264	7,331,536
Acquisition of tangible capital assets	\$ (18,855,715)	\$ (22,431,018)	\$ (9,511,868)
Amortization of tangible capital assets	3,774,960	5,364,572	4,953,293
Net loss on sale of tangible capital assets	-	2,205,944	40,201
Proceeds on sale of tangible capital assets	-	245,513	90,193
	3,459,541	(755,725)	2,903,355
Change in prepaid expenses	-	24,371	(10,286)
Change in land held for resale	-	(370,901)	-
Use/consumption of prepaid expenses and inventory of supplies	-	480,592	(208,666)
Reclassification of land held for resale	-	-	(2,192,985)
Impairment of land held for resale	-	1,009,023	-
Net change in net financial assets	3,459,541	387,360	491,418
Net financial assets, beginning of year,	20,078,107	20,078,107	19,586,689
Net financial assets, end of year	\$ 23,537,648	\$ 20,465,467	\$ 20,078,107

Town of Drumheller
Consolidated Statement of Cash Flows

For the year ended December 31	2022	2021
Operating transactions		
Excess of revenue over expenditures	\$ 13,859,264	\$ 7,331,536
Items not involving cash		
Amortization	5,364,572	4,953,293
Net loss on disposal of tangible capital assets	2,205,944	40,201
Impairment of land held for resale	1,009,023	-
Land held for resale	(370,901)	(396,040)
Changes in non-cash operating balances		
Taxes receivable	(81,177)	209,111
Accounts receivable	(3,529,292)	(2,475,149)
Accrued interest receivable	(55,709)	(124,291)
Prepaid expenses	24,371	(10,286)
Accounts payable and accrued liabilities	3,032,182	2,209,678
Inventory for consumption	480,595	(206,356)
Employee benefit obligation	289,781	50,161
Deferred revenue	(11,983,205)	(323,516)
	10,245,448	11,258,342
Capital transactions		
Acquisition of tangible capital assets	(22,431,018)	(9,511,868)
Proceeds on sale of tangible capital assets	245,513	90,193
	(22,185,505)	(9,421,675)
Investing transactions		
Purchase of investments	(3,200,000)	(47,559,359)
Proceeds on redemption of investments	11,611,188	43,220,200
	8,411,188	(4,339,159)
Financing transactions		
Repayment of long-term debt	(729,945)	(725,061)
	(4,258,814)	(3,227,553)
Net change in cash and cash equivalents	(4,258,814)	(3,227,553)
Cash and cash equivalents, beginning of year	3,822,934	7,050,487
Cash and cash equivalents (Bank indebtedness), end of year	\$ (435,880)	\$ 3,822,934

Town of Drumheller Summary of Significant Accounting Policies

December 31, 2022

**Management's
Responsibility for the
Financial Statements**

The consolidated financial statements of the Town of Drumheller (the "Town") are the representations of management. They have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) established by the Public Sector Accounting Board of the Chartered Professional Accountants Canada.

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the Town and are, therefore, accountable to the Town Council for the administration of their financial affairs and resources. Included with the municipality are the following:

Town of Drumheller Public Library

The schedule of taxes levied also includes operational requisitions for educational, health, social and other external organizations that are not part of the municipal reporting entity.

The statement excludes trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

**Cash and Cash
Equivalents**

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

Investments

Investments are recorded at amortized cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

Land held for resale

Land held for resale is recorded at 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.

**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.

**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.

Town of Drumheller
Summary of Significant Accounting Policies

December 31, 2022

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to 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 donation, 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	10 to 45 years
Buildings	25 to 50 years
Engineered Structures	
Water system	45 to 75 years
Wastewater system	45 to 75 years
Road system	5 to 65 years
Machinery, equipment and furnishings	5 to 40 years
Vehicles	10 to 40 years

Deferred Revenue

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

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

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 expenditures are made.

Revenue Recognition

Taxes are recognized as revenue in the year they are levied.

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

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

Town of Drumheller
Summary of Significant Accounting Policies

December 31, 2022

Liability for

Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to the remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded at net of any expected recoveries.

Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2022

1. CASH AND CASH EQUIVALENTS (BANK INDEBTEDNESS)

	2022	2021
Cash drawn	\$ (754,499)	\$ -
Investment margin accounts	-	97,521
Cash and cash equivalents	318,619	3,725,413
	\$ (435,880)	\$ 3,822,934

Included in cash is \$100,608 (2021 - \$1,915,219) which is held in trust for future capital purchases related to the flood mitigation project.

The Town has a demand revolving loan to a maximum of \$10,000,000, bearing interest at prime minus 0.75%. As at December 31, 2022 there was \$754,499 draw under this facility (2021 - \$NIL).

2. INVESTMENTS

	2022	2021
Term Deposits	\$ 2,400,555	\$ 13,315,654
Fixed income notes	20,761,032	21,747,645
Principal protected notes	13,497,715	10,007,400
Other	4,996	4,786
	\$ 36,664,298	\$ 45,075,485

Term Deposits bear interest at 1.00% per annum and mature on April 13, 2023.

Fixed income notes bear interest at 2.00% to 4.86% per annum and mature March 7, 2023 to January 28, 2033 and have a fair market value of \$18,824,586 (2021 - \$21,446,797).

Principal protected notes mature September 18, 2028 to October 18, 2032 and have a fair market value of \$12,797,694 (2021 - 20,183,288).

Included in investments is a restricted amount of \$4,133,975 (2021 - \$20,659,612) received from various grant programs and held exclusively for approved projects. Also, Included in investments is an internally restricted amount of \$18,584,459 (2021 - 24,415,873) to fund reserves.

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2022

3. TAXES RECEIVABLE

	2022	2021
Current taxes and grants in place	\$ 600,985	\$ 422,943
Non-current taxes and grants in place	869,682	857,320
Less: Allowance for doubtful accounts	(549,559)	(440,332)
	\$ 921,108	\$ 839,931

4. ACCOUNTS RECEIVABLE

	2022	2021
Trade receivables	\$ 1,607,182	\$ 2,842,842
Government grants receivable	8,211,379	3,476,545
Less: Allowance for doubtful accounts	(31,076)	(61,194)
	\$ 9,787,485	\$ 6,258,193

Included in trade receivable is \$696,626 (2021 - \$302,943) of goods and service tax receivable.

5. EMPLOYEE BENEFIT OBLIGATION

	2022	2021
Accrued vacation pay	\$ 365,091	\$ 329,296
Accrued sick leave benefit	250,000	-
Accrued long-term service benefits	235,391	231,405
	\$ 850,482	\$ 560,701

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.

The Town provides paid sick leave at a rate of two days per month. Sick leave can accumulate from year to year to a total of 120 calendar days or 86 work days. Sick leave is not paid out upon termination.

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2022

6. DEFERRED REVENUE

	Opening balance	Contributions received	Revenue recognized	Ending balance
MSI grant	\$ 2,200,677	\$ 824,841	\$ (635,388)	\$ 2,390,130
Gas Tax fund	1,292,770	478,329	(607,962)	1,163,137
Policing grant Alberta	90,964	363,856	(363,856)	90,964
Community Resilience grant	821,195	-	(821,195)	-
Kneehill	600,273	-	(75,034)	525,239
Flood Mitigation	15,867,725	-	(9,751,043)	6,116,682
STIP	960,365	500,000	(195,870)	1,264,495
AMWWP Grant	652,269	300,000	(945,126)	7,143
Other	1,506,144	268,789	(1,323,546)	451,387
	<u>\$ 23,992,382</u>	<u>\$ 2,735,815</u>	<u>\$ (14,719,020)</u>	<u>\$ 12,009,177</u>

Grants

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 expenditures under the specific grant agreement have been incurred. The funds are included in accounts receivable and investments.

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2022

7. LONG -TERM DEBT

Net long-term debt reported on the statement of financial position is comprised of the following:

	2022	2021
Alberta Capital Finance Authority Debentures	\$ 6,367,676	\$ 7,097,617

Alberta Capital Finance Authority Debentures bear interest between 2.765% to 5.012% per annum, before provincial subsidy, and matures between June 15, 2027 to June 15, 2038. Debenture debt is issued on credit and security of the Town at large.

Principal and interest payments relating to the long term debt are due as follows:

	Principal Repayments	Interest Payments	Total
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
2027	819,377	118,071	937,448
Thereafter	2,291,524	202,180	2,493,704
	\$ 6,367,676	\$ 1,160,321	\$ 7,527,997

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2022

8. TANGIBLE CAPITAL ASSETS

								2022
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	Total
Cost, beginning of year	\$ 18,616,478	\$ 3,981,433	\$ 42,405,700	\$170,816,124	\$ 10,393,585	\$ 3,971,914	\$ 10,514,412	\$260,699,646
Additions	3,317,555	416,555	86,339	1,410,095	596,371	46,096	16,558,007	22,431,018
Transfers	(4,403,535)	-	4,265,748	(85,309)	(259,611)	390,175	92,532	-
Write-downs & disposals	(568,500)	-	(2,342,990)	(40,908)	(266,248)	-	(511,983)	(3,730,629)
Cost, end of year	<u>\$ 16,961,998</u>	<u>\$ 4,397,988</u>	<u>\$ 44,414,797</u>	<u>\$172,100,002</u>	<u>\$ 10,464,097</u>	<u>\$ 4,408,185</u>	<u>\$ 26,652,968</u>	<u>\$279,400,035</u>
Accumulated amortization, beginning of year	\$ -	\$ 3,430,728	\$ 13,573,135	\$ 84,624,246	\$ 5,683,033	\$ 2,415,151	\$ -	\$109,726,293
Amortization	-	45,900	1,484,455	2,883,065	531,956	419,196	-	5,364,572
Disposals	-	-	-	(50,168)	(219,984)	-	-	(270,152)
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 3,476,628</u>	<u>\$ 15,057,590</u>	<u>\$ 87,457,143</u>	<u>\$ 5,995,005</u>	<u>\$ 2,834,347</u>	<u>\$ -</u>	<u>\$114,820,713</u>
Net carrying amount, end of year	<u>\$ 16,961,998</u>	<u>\$ 921,360</u>	<u>\$ 29,357,207</u>	<u>\$ 84,642,859</u>	<u>\$ 4,469,092</u>	<u>\$ 1,573,838</u>	<u>\$ 26,652,968</u>	<u>\$164,579,322</u>

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2022

8. TANGIBLE CAPITAL ASSETS (continued)

	2021							
	Land	Land	Buildings	Engineered	Machinery	Vehicles	Work in	Total
	Improvements	Improvements		Structures	and		Progress	
Cost, beginning of year	\$ 17,354,473	\$ 3,981,433	\$ 42,173,029	\$ 169,948,103	\$ 9,481,174	\$ 4,307,217	\$ 4,434,398	\$ 251,679,827
Additions	1,262,005	-	232,671	618,607	1,040,127	29,030	6,329,428	9,511,868
Transfers	-	-	-	249,414	-	-	(249,414)	-
Write-downs	-	-	-	-	(127,716)	(364,333)	-	(492,049)
Cost, end of year	<u>\$ 18,616,478</u>	<u>\$ 3,981,433</u>	<u>\$ 42,405,700</u>	<u>\$ 170,816,124</u>	<u>\$ 10,393,585</u>	<u>\$ 3,971,914</u>	<u>\$ 10,514,412</u>	<u>\$ 260,699,646</u>
Accumulated amortization, beginning of year	\$ -	\$ 3,324,934	\$ 12,751,589	\$ 81,383,722	\$ 5,274,611	\$ 2,402,109	\$ -	\$ 105,136,965
Amortization	-	105,794	821,546	3,240,524	492,233	293,196	-	4,953,293
Amortization on disposals	-	-	-	-	(83,811)	(280,154)	-	(363,965)
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 3,430,728</u>	<u>\$ 13,573,135</u>	<u>\$ 84,624,246</u>	<u>\$ 5,683,033</u>	<u>\$ 2,415,151</u>	<u>\$ -</u>	<u>\$ 109,726,293</u>
Net carrying amount, end of year	<u>\$ 18,616,478</u>	<u>\$ 550,705</u>	<u>\$ 28,832,565</u>	<u>\$ 86,191,878</u>	<u>\$ 4,710,552</u>	<u>\$ 1,556,763</u>	<u>\$ 10,514,412</u>	<u>\$ 150,973,353</u>

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2022

9. LAND HELD FOR RESALE

	<u>2022</u>	<u>2021</u>
Land held for resale	<u>\$ 2,563,886</u>	<u>\$ 2,192,985</u>

Immediately prior to transfer of land from tangible capital assets to land held for resale, there was a write down of \$1,009,023 in the year due to updated property value adjustments where the land was exceeding the net realizble value.

During the year there was an addition of \$1,707,887 in land and total disposals of \$327,963 in the year.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2022</u>	<u>2021</u>
Tangible capital assets	\$ 279,400,035	\$ 260,699,646
Accumulated amortization	(114,820,713)	(109,726,293)
Debenture debt	<u>(6,367,676)</u>	<u>(7,097,617)</u>
	<u>\$ 158,211,646</u>	<u>\$ 143,875,736</u>

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2022

11. ACCUMULATED SURPLUS

	2022	2021
Equity in tangible capital assets	\$ 158,211,646	\$ 143,875,736
Unrestricted surplus	786,006	477,059
	158,997,652	144,352,795
Restricted surplus		
General Capital	150,026	93,597
Equipment	4,258,915	4,167,190
Facilities	4,377,532	4,276,943
Offsite Levies	451,879	446,275
Water	8,526,985	8,103,245
Wastewater	4,463,753	4,753,406
Contingencies	1,701,815	1,710,979
Land	(2,077,210)	(912,666)
Storm Drain	1,238,104	1,077,058
Municipal Reserve	12,236	12,236
Utility Energy Savings	-	387,000
Sandstone	201,000	181,000
Scholarship	-	36,600
Management incentive fund	-	35,000
Transportation	3,829,599	3,741,830
Long-term contingency	2,361,591	2,172,125
	29,496,225	30,281,818
	\$ 188,493,877	\$ 174,634,613

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2022

12. CHANGE IN ACCUMULATED SURPLUS

	Unrestricted surplus		Restricted surplus		Equity in tangible capital assets		2022	2021		
Balance, beginning of year	\$	477,059	\$	30,281,818	\$	143,875,736	\$	174,634,613	\$	167,303,077
Excess of revenue over expenses		13,859,264		-		-		13,859,264		7,331,536
Net operating transfers to restricted surplus		785,593		(785,593)		-		-		-
Debenture principal payments		(729,944)		-		729,944		-		-
Acquisition of capital		(22,431,018)		-		22,431,018		-		-
Disposals and write-down of tangible capital assets		3,460,480		-		(3,460,480)		-		-
Amortization		5,364,572		-		(5,364,572)		-		-
Change in accumulated surplus	\$	308,947	\$	(785,593)	\$	14,335,910	\$	13,859,264	\$	7,331,536
Balance, end of year	\$	786,006	\$	29,496,225	\$	158,211,646	\$	188,493,877	\$	174,634,613

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2022

13. DEBT LIMIT

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

	2022	2021
Total debt limit	\$ 32,658,627	\$ 32,036,352
Total debt	6,367,676	7,097,616
Total debt limit available	<u>26,290,951</u>	<u>24,938,736</u>
Debt servicing limit	5,443,105	5,339,392
Debt servicing	1,024,211	1,051,973
Total debt servicing limit available	<u>\$ 4,418,894</u>	<u>\$ 4,287,419</u>

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.

14. 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 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

The Town is in the process of going through environmental studies in order to determine the magnitude contamination in which a liability will likely have to be accrued. The amount was not recorded in the financial statements as at December 31, 2022 as is required under PS3260. Once environmental studies are complete and amounts can be reasonably estimated a liability will be recorded.

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2022

15. COMMITMENTS

The Town has entered into agreements with the Government of Canada and the 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 March 31, 2032. Under the contract, the Town pays for 70% of the operating costs. The annual contract cost for 2022 is \$1,984,000 (2021 - \$1,441,000)

The Town has a forward purchase agreement to obtain electricity from 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 of natural gas expiring September 30th, 2026 at a fixed rate of \$5.58/GJ up to a maximum of 34,264 GJs/year. The Town has a partial-hedge product in place for natural gas whereby 65% of the Town's weather-normalized historical volumes (34,264 GJs previously mentioned) were purchased at the fixed price of \$5.58/GJ. The remaining 35% of the volume is floating on the monthly average AECO Spot price for natural gas.

16. NET MUNICIPAL TAXES

	Budget 2022	2022	2021
Real property	\$ 11,876,611	\$ 11,873,957	\$ 11,675,191
Machinery and equipment	40,496	37,836	39,576
Linear property	445,141	458,081	435,028
Local improvement	56,000	57,152	57,779
	<u>12,418,248</u>	<u>12,427,026</u>	<u>12,207,574</u>
Requisitions			
Alberta School Foundation Fund	(2,661,534)	(2,661,762)	(2,664,522)
Sunshine Senior's Lodge	(552,979)	(552,979)	(554,230)
	<u>(3,214,513)</u>	<u>(3,214,741)</u>	<u>(3,218,752)</u>
Available for general municipal purposes	<u>\$ 9,203,735</u>	<u>\$ 9,212,285</u>	<u>\$ 8,988,822</u>

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2022

17. GOVERNMENT TRANSFERS

	Budget 2022	2022	2021
Operating			
Federal government	\$ 179,801	\$ 60,900	\$ 109,652
Provincial government	1,069,445	1,018,414	942,583
	<u>\$ 1,249,246</u>	<u>\$ 1,079,314</u>	<u>\$ 1,052,235</u>
Capital			
Federal government	\$ 4,768,708	\$ 4,768,708	\$ 1,911,376
Provincial government	14,087,007	14,087,007	6,018,084
	<u>\$ 18,855,715</u>	<u>\$ 18,855,715</u>	<u>\$ 7,929,460</u>
Total government transfers	<u>\$ 20,104,961</u>	<u>\$ 19,935,029</u>	<u>\$ 8,981,695</u>

18. EXPENSES BY OBJECT

	Budget 2022	2022	2021
Salaries and wages	\$ 7,355,298	\$ 7,710,881	\$ 6,552,550
Contracted and general services	4,804,187	4,751,163	5,740,202
Purchases from other governments	1,517,632	1,984,259	1,440,852
Materials, goods and utilities	2,952,980	2,914,602	2,455,395
Transfer to local agencies and individuals	553,540	450,679	442,139
Bank charges and short term interest	23,950	29,694	17,917
Interest on long-term debt	347,076	290,470	321,602
Amortization	3,774,960	5,364,570	4,953,295
Other expenditures	77,925	281,829	111,827
	<u>\$ 21,407,548</u>	<u>\$ 23,778,147</u>	<u>\$ 22,035,779</u>

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2022

19. MUNICIPAL EMPLOYEES PENSION PLAN

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 275,000 people and 420 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 8.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 12.84% for the excess. Employees contribute 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.

Contributions for the year were:

	2022	2021
Employer contributions	\$ 380,276	\$ 395,768
Employee contributions	339,053	357,130
	<u>\$ 719,329</u>	<u>\$ 752,898</u>

As this is a multi-employer pension plan, these contributions are 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 at December 31, 2021 indicates a surplus of \$11.922 billion (2020 - \$4.961 billion) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2022

20. SALARY AND BENEFITS DISCLOSURE

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

	<u>Salary</u>	<u>Benefits & Allowances</u>	<u>Total 2022</u>	<u>Total 2021</u>
Mayor Colberg	\$ 48,438	\$ 8,395	\$ 56,833	\$ 55,662
Councillor Hansen-Zacharuk	25,130	6,234	31,364	30,962
Councillor Garbutt	-	-	-	27,107
Councillor Zariski	27,730	2,751	30,481	31,801
Councillor DeMott	-	-	-	24,080
Councillor Lacher	25,650	2,344	27,994	28,620
Councillor Makowecki	-	-	-	24,870
Councillor Sereda	26,950	6,489	33,439	5,548
Councillor Kolafa	26,690	6,474	33,164	6,097
Councilor Price	27,470	6,519	33,989	5,548
Chief Administration Officer	194,689	33,769	228,458	224,201

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.

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2022

21. BUDGET

The budget adopted by Council was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to fund current year operation and capital activities. In addition, the budget expensed all tangible capital asset expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the budget adopted by Council, with adjustments as follows:

	<u>2022</u>
Operating budget surplus (deficit)	\$ -
Add:	
Net operating transfers to reserves and capital	315,419
Capital budget surplus (deficit)	\$ 18,855,715
Less:	
Capital expenditures	(18,855,715)
Budgeted transfers from reserves	<u>(315,419)</u>
Budgeted capital excess (deficiency) of revenue over expenditures	<u>\$ (315,419)</u>
Budgeted combined excess (deficiency) of revenue over expenditures	<u>\$ -</u>

December 31, 2022

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, development and maintenance of roadway systems, the maintenance of park and open space, and street lighting.

Water and Wastewater Services

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 plans 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.

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2022

22. SEGMENTED INFORMATION continued

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 revenue 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

December 31, 2022

22. SEGMENTED INFORMATION (continued)

For the year ended December 31	Protective Services	Transportation Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	2022 Total
Revenue									
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	9,212,284	\$ 9,212,284
Government transfers for operating	363,856	-	2,100	-	21,840	73,800	320,573	297,145	1,079,314
Government transfers for capital	14,448,460	2,123,610	952,268	-	-	1,331,376	-	-	18,855,714
Sales and user fees	379,240	229,702	5,958,263	135,944	127,772	561,703	55,419	166,704	7,614,747
Franchises and concessions	-	-	-	-	-	-	-	2,023,698	2,023,698
Investment income	-	-	-	-	-	-	-	523,273	523,273
Fines and costs	-	-	20,185	-	-	-	-	157,181	177,366
Rental revenue	-	4,500	-	-	85,177	444,063	-	-	533,740
Impairment of land held for resale	-	-	-	-	(1,009,023)	-	-	-	(1,009,023)
Other	20,709	63,166	104,882	13	177,002	230,056	79,791	156,623	832,242
Loss on disposal of assets	(2,219,590)	24,547	-	-	-	(10,901)	-	-	(2,205,944)
	<u>12,992,675</u>	<u>2,445,525</u>	<u>7,037,698</u>	<u>135,957</u>	<u>(597,232)</u>	<u>2,630,097</u>	<u>455,783</u>	<u>12,536,908</u>	<u>37,637,411</u>
Expenses									
Salaries and wages	961,719	1,000,691	1,663,450	18,523	248,507	2,248,548	387,767	1,181,676	7,710,881
Contracted and general services	269,602	710,087	936,439	383,471	404,220	1,080,365	156,594	810,385	4,751,163
Purchases from other governments	1,984,259	-	-	-	-	-	-	-	1,984,259
Materials, goods and utilities	108,365	1,059,155	890,055	-	38,222	681,729	15,085	121,991	2,914,602
Transfer to local agencies	116	-	-	-	92,080	333,577	24,906	-	450,679
Bank charges and short-term interests	-	6,751	635	-	132	16,118	17	6,039	29,692
Interest on long-term debt	-	-	159,568	-	-	130,902	-	-	290,470
Amortization	195,503	1,199,561	1,969,903	-	103,900	1,739,045	5,839	150,821	5,364,572
Other	131	815	13,508	-	(6,605)	4,097	-	269,883	281,829
	<u>3,519,695</u>	<u>3,977,060</u>	<u>5,633,558</u>	<u>401,994</u>	<u>880,456</u>	<u>6,234,381</u>	<u>590,208</u>	<u>2,540,795</u>	<u>23,778,147</u>
Net surplus (deficit)	<u>\$ 9,472,980</u>	<u>\$ (1,531,535)</u>	<u>\$ 1,404,140</u>	<u>\$ (266,037)</u>	<u>\$ (1,477,688)</u>	<u>\$ (3,604,284)</u>	<u>\$ (134,425)</u>	<u>\$ 9,996,113</u>	<u>\$ 13,859,264</u>

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2022

22. SEGMENTED INFORMATION (continued)

For the year ended December 31	Protective Services	Transportation Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	2021 Total
Revenue									
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	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	5,702,223	128,367	75,310	144,219	36,615	153,678	8,338,130
Franchises and concessions	-	-	-	-	-	-	-	1,805,350	1,805,350
Investment income	-	-	-	-	-	-	-	332,415	332,415
Fines and costs	-	-	19,926	-	-	-	-	154,597	174,523
Rentals	-	4,500	-	-	73,677	262,204	-	-	340,381
Other	961	129,539	91,126	-	127,975	19,980	42,198	34,420	446,199
Gain on disposal of assets	4,845	(45,191)	-	-	-	-	145	-	(40,201)
	<u>6,714,475</u>	<u>3,541,855</u>	<u>5,825,566</u>	<u>128,367</u>	<u>315,965</u>	<u>706,693</u>	<u>392,003</u>	<u>11,742,391</u>	<u>29,367,315</u>
Expenses									
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	275,929	2,220,302	678,902	370,274	213,585	1,006,102	114,495	860,613	5,740,202
Purchases from other governments	1,440,852	-	-	-	-	-	-	-	1,440,852
Materials, goods and utilities	64,869	770,368	815,661	-	44,726	657,885	16,072	85,814	2,455,395
Transfer to local agencies	1,472	-	-	-	205,636	203,558	31,473	-	442,139
Bank charges and short-term interest	-	5,198	676	-	87	7,608	49	4,301	17,919
Interest on long-term debt	-	-	177,618	-	-	143,984	-	-	321,602
Amortization	223,744	1,499,961	2,201,646	-	103,900	768,079	4,499	151,464	4,953,293
Other	(105)	(1,523)	-	(127)	23,973	(860)	(115)	90,584	111,827
	<u>2,759,532</u>	<u>5,357,067</u>	<u>5,266,299</u>	<u>390,545</u>	<u>831,336</u>	<u>4,654,437</u>	<u>531,283</u>	<u>2,245,280</u>	<u>22,035,779</u>
Net surplus (deficit)	<u>\$ 3,954,943</u>	<u>\$ (1,815,212)</u>	<u>\$ 559,267</u>	<u>\$ (262,178)</u>	<u>\$ (515,371)</u>	<u>\$ (3,947,744)</u>	<u>\$ (139,280)</u>	<u>\$ 9,497,111</u>	<u>\$ 7,331,536</u>

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2022

23. COMPARATIVE FIGURES

Wherever necessary, comparative figures have been reclassified to conform with current year financial statement presentation.

24. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved these financial statements.
