

TOWN OF DRUMHELLER

Year Ended December 31, 2023

FINANCIAL STATEMENTS

Town of Drumheller
Consolidated Financial Statements
Year Ended December 31, 2023

Town of Drumheller
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Year Ended December 31, 2023

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, 2023, 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 on the comparative information of the matter described in the *Basis for Qualified Opinion* paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, 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

In the prior year, the Group had identified potential contaminated sites which required future reclamation. The Group had not undertaken to estimate the liability in respect to these contaminated sites and therefore did not record a provision for this liability.

In accordance with Canadian public sector accounting standards, the Entity corrected the error in the current year's figures rather than correcting the comparative information. Our opinion on the current year's financial statements is modified because of the effects of this matter on the comparability of the current year's figures and the comparative information.

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.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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

BDO Canada LLP

Red Deer, Alberta
July 22, 2024

Town of Drumheller
Consolidated Statement of Financial Position

Restated

December 31	2023	2022
Financial assets		
Cash and cash equivalents (Note 2)	\$ 10,464,246	\$ -
Investments (Note 3)	30,539,240	36,664,298
Taxes receivable (Note 4)	769,563	921,108
Accounts receivable (Note 5)	14,043,132	9,787,485
Accrued interest receivable	182,710	256,959
	55,998,891	47,629,850
Liabilities		
Bank indebtedness (Note 2)	-	435,880
Accounts payable and accrued liabilities	5,221,302	7,501,168
Employee benefit obligation (Note 6)	744,393	850,482
Deferred revenue (Note 7)	29,667,385	12,009,177
Long-term debt	5,605,506	6,367,676
Asset retirement obligation (Note 9)	3,924,813	3,765,209
Contaminated sites liability (Note 10)	1,207,784	-
	46,371,183	30,929,592
Net financial assets	9,627,708	16,700,258
Non-financial assets		
Tangible capital assets (Note 11)	186,791,745	165,065,285
Land held for resale (Note 12)	2,693,017	2,514,396
Inventory for consumption	895,500	699,693
Prepaid expenses	269,497	234,999
	190,649,759	168,514,373
Accumulated surplus (Note 14)	\$ 200,277,467	\$ 185,214,631

Debenture debt limits (Note 16)

Contingencies (Note 17)

Commitments (Note 18)

Town of Drumheller
Consolidated Statement of Operations

For the year ended December 31	Budget 2023	2023	Restated 2022
Revenue			
Net municipal taxes	\$ 9,643,975	\$ 9,738,050	\$ 9,212,285
Government transfers for operating	1,031,065	1,436,194	1,079,314
Sales and user fees	8,529,517	8,968,922	7,614,746
Rental revenue	456,450	569,063	533,739
Franchises and concessions	1,913,545	1,986,191	2,023,698
Investment income	500,000	86,987	523,273
Penalties and costs on taxes	182,000	141,715	177,366
Other	160,559	604,801	552,850
	22,417,111	23,531,923	21,717,271
Expenditures			
General government	2,560,286	2,766,228	2,555,304
Protective services	3,801,511	3,741,360	3,541,417
Transportation services	3,236,614	4,429,499	3,999,729
Water and wastewater	5,909,563	6,704,434	5,658,047
Waste management	377,810	424,378	401,994
Planning and development	678,422	2,119,512	892,959
Recreation and parks	5,251,919	5,899,377	6,301,008
Public health and welfare	582,764	582,919	590,207
	22,398,889	26,667,707	23,940,665
Deficiency of revenue over expenditures - before other	18,222	(3,135,784)	(2,223,394)
Other			
Government transfers for capital	19,301,247	19,263,038	18,855,715
Other capital revenues	-	153,438	224,245
Loss on disposal of tangible capital assets	-	(1,194,096)	(2,205,944)
Impairment of land held for resale	-	(23,760)	(1,009,023)
Excess of revenue over expenditures	19,319,469	15,062,836	13,641,599
Accumulated surplus, beginning of the year	185,214,631	185,214,631	171,573,032
Accumulated surplus, end of year	\$ 204,534,100	\$ 200,277,467	\$ 185,214,631

Town of Drumheller
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2023	2023	Restated 2022
Excess of revenue over expenditures	19,319,469	15,062,836	13,641,599
Acquisition of tangible capital assets	\$ (19,301,247)	\$ (28,293,397)	\$ (22,431,018)
Amortization of tangible capital assets	3,774,960	5,120,099	5,383,697
Net loss on sale of tangible capital assets	-	1,194,096	2,205,944
Proceeds on sale of tangible capital assets	-	228,985	245,513
	3,793,182	(6,687,381)	(954,265)
Change in prepaid expenses	-	(34,498)	24,371
Change in land held for resale	-	(178,621)	(385,058)
Use/consumption of prepaid expenses and inventory of supplies	-	(195,810)	494,751
Impairment of land held for resale	-	23,760	1,009,023
Net change in net financial assets	3,793,182	(7,072,550)	188,822
Net financial assets, beginning of year,	16,700,258	16,700,258	16,511,436
Net financial assets, end of year	\$ 20,493,440	\$ 9,627,708	\$ 16,700,258

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Town of Drumheller
Consolidated Statement of Cash Flows

For the year ended December 31	2023	Restated 2022
Operating transactions		
Excess of revenue over expenditures	\$ 15,062,836	\$ 13,641,599
Items not involving cash		
Income from government business enterprise	159,604	143,392
Amortization	5,120,099	5,383,697
Net loss on disposal of tangible capital assets	1,194,096	2,205,944
Impairment of land held for resale	23,760	1,009,023
Accretion	159,604	143,392
Changes in non-cash operating balances		
Taxes receivable	151,545	(81,177)
Accounts receivable	(4,255,650)	(3,529,292)
Accrued interest receivable	74,248	(55,709)
Land held for resale	(178,621)	(385,058)
Prepaid expenses	(34,498)	24,371
Accounts payable and accrued liabilities	(2,279,865)	3,032,182
Inventory for consumption	(195,807)	494,751
Employee benefit obligation	(106,089)	289,781
Deferred revenue	17,658,208	(11,983,205)
Liability for contaminated sites	1,207,784	-
	33,601,650	10,190,299
Capital transactions		
Acquisition of tangible capital assets	(28,293,397)	(22,431,018)
Proceeds on sale of tangible capital assets	228,985	245,513
	(28,064,412)	(22,185,505)
Investing transactions		
Purchase of investments	-	(3,200,000)
Proceeds on redemption of investments	6,125,058	11,611,188
	6,125,058	8,411,188
Financing transactions		
Repayment of long-term debt	(762,170)	(729,945)
	10,900,126	(4,313,963)
Net change in cash and cash equivalents	10,900,126	(4,313,963)
Cash and cash equivalents, beginning of year	(435,880)	3,822,934
Cash and cash equivalents (Bank indebtedness), end of year	\$ 10,464,246	\$ (435,880)

Town of Drumheller
Summary of Significant Accounting Policies

December 31, 2023

**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.

Basis of Consolidation

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.

Town of Drumheller
Summary of Significant Accounting Policies

December 31, 2023

Financial Instruments Cash and equity instruments quoted in an active market are measured at fair value (hierarchy level one - quoted market prices). The Town has elected to treat Principal Protected Notes purchased prior to January 1, 2023 at amortized cost. Principal Protected Notes purchased after January 1, 2023 are recorded at either amortized cost or at fair value depending on the characteristics of the PPN. All other financial instruments, are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

For portfolio measurements measured at cost, the cost method records the initial investment at cost and earnings from such investments are recognized only to the extent received or receivable. When an investment is written down to recognize an impairment loss, the new carrying value is deemed to be the new cost basis for subsequent accounting purposes.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

Town of Drumheller
Summary of Significant Accounting Policies

December 31, 2023

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.

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.

Town of Drumheller
Summary of Significant Accounting Policies

December 31, 2023

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, 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 determined. Transfers where stipulations give rise to a liability are recognized as revenue as the stipulation liabilities are settled.
Tax Revenue	Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal reserve. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.
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.
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.

Town of Drumheller
Summary of Significant Accounting Policies

December 31, 2023

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. Management estimates are used in determining the useful life of tangible capital assets, assumptions in determining asset retirement obligations and site contamination liabilities, and assumptions in employee benefit obligations. Actual results could differ from management's best estimates as additional information becomes available in the future.

Asset Retirement

Obligation A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Town to incur retirement costs, the past transaction has or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The Town uses a cost escalation or current estimates, which approximates the estimated cost if work was to be completed as of the financial statement date.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. At each financial reporting date, the Town reviews the carrying amount of the liability. The Town recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, or the amount of the original estimate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Town continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

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, together with the annual surplus, provides the consolidated change in net financial assets for the year.

December 31, 2023

1. Change in Accounting Policy: PS 3280 Asset Retirement Obligation (ARO)

PS 3280 ARO, a new standard establishes guidance on the accounting and reporting of legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. Information presented for comparative purposes is restated unless the necessary financial data is not reasonably determinable.

Effective January 1, 2023 the Town adopted the new accounting standard PS 3280 Asset Retirement Obligations and applied the standard using the modified retroactive approach with restatement of prior year comparative information.

On the effective date of the PS 3280 standard, the Town recognized the following to conform to the new standard:

- asset retirement obligations adjusted for accumulated accretion to the effective date;
- asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets in productive use;
- accumulated amortization on the capital cost; and
- adjustment to the opening balance of the accumulated surplus/deficit.

Amounts are measured using information, assumptions and inflation rates where applicable that are current on the effective date of the standard. The amount recognized as an asset retirement cost is measured as of the date the asset retirement obligation was incurred. Accumulated accretion and amortization are measured for the period from the date the liability would have been recognized had the provisions of this standard been in effect to the date as of which this standard is first applied.

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2023

	<u>2022 as Reported</u>	<u>Adjustment</u>	<u>2022 Restated</u>
Statement of Operations:			
Expenses	\$ 23,778,147	162,518	\$ 23,940,665
Excess of revenue over expenditures	\$ 13,859,264	(217,665)	\$ 13,641,599
Accumulated surplus, beginning of the year	\$ 174,634,613	(3,061,581)	\$ 171,573,032
Accumulated surplus, end of the year	\$ 188,493,877	(3,279,246)	\$ 185,214,631
Statement of Financial Position:			
Liability	\$ 27,164,383	3,765,209	\$ 30,929,592
Net Financial Assets	\$ 20,465,467	(3,765,209)	\$ 16,700,258
Non-Financial Assets	\$ 168,028,410	485,963	\$ 168,514,373
Statement of Change in Net Financial Assets			
Excess of revenue over expenditures	\$ 13,859,264	(217,665)	\$ 13,641,599
Net Financial Assets beginning of the year	\$ 20,078,107	(3,566,671)	\$ 16,511,436
Net Financial Assets end of the year	\$ 20,465,467	(3,765,209)	\$ 16,700,258

PS 3450 Financial Instruments, provides guidance on the recognition, measurement, presentation, and disclosure of financial instruments including 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. Management has reviewed the standard and all the financial statements and determined the Town does not have derivative or equity instruments. The financial instruments have been measured based on the significant accounting policy. Refer to Note 23 on the Town's financial instrument risk.

2. CASH AND CASH EQUIVALENTS (BANK INDEBTEDNESS)

	<u>2023</u>	<u>2022</u>
Cash	\$ 10,464,246	\$ (435,880)

Included in cash is \$18,647 (2022 - \$100,608) 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, 2023 there was \$NIL drawn under this facility (2022 -\$754,499).

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2023

3. INVESTMENTS

	2023	2022
Term Deposits	\$ 444,421	\$ 2,400,555
Fixed income notes	18,000,793	20,761,032
Principal protected notes	12,088,900	13,497,715
Other	5,126	4,996
	\$ 30,539,240	\$ 36,664,298

Term Deposits bear interest at 5.92% per annum and mature on January 4, 2024.

Fixed income notes bear interest at 2.00% to 4.86% per annum and mature March 7, 2024 to January 28, 2033 and have a fair market value of \$16,807,569 (2022 - \$18,824,586).
Principal protected notes mature September 18, 2028 to October 18, 2032 and have a book value of \$12,088,900 (2022 - \$12,797,694). Fair market value information is not available for all PPN's.

Included in investments is a restricted amount of \$27,581,365 (2022 \$4,133,975) from various grant programs and held exclusively for approved projects. Also, Included in investments is an internally restricted amount of \$2,957,875 (2022 - \$18,584,459) to fund reserves.

4. TAXES RECEIVABLE

	2023	2022
Current taxes and grants in place	\$ 649,769	\$ 600,985
Non-current taxes and grants in place	844,760	869,682
Less: Allowance for doubtful accounts	(724,966)	(549,559)
	\$ 769,563	\$ 921,108

5. ACCOUNTS RECEIVABLE

	2023	2022
Trade receivables	\$ 1,957,526	\$ 1,607,182
Government grants receivable	12,122,058	8,211,379
Less: Allowance for doubtful accounts	(36,452)	(31,076)
	\$ 14,043,132	\$ 9,787,485

Included in trade receivable is \$725,074 (2022 - \$696,626) of goods and service tax receivable.

December 31, 2023

6. EMPLOYEE BENEFIT OBLIGATION

	2023	2022
Accrued vacation pay	\$ 243,847	\$ 365,091
Accrued sick leave benefit	250,000	250,000
Accrued long-term service benefits	250,546	235,391
	<u>\$ 744,393</u>	<u>\$ 850,482</u>

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.

Significant inputs used in the estimate for long-term service benefit include employee 2023 accrued days and their 2023 salary rates. Other key assumptions that should impact this calculation have not been considered.

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.

Significant inputs used in the estimate of sick leave accrual include employee 2023 hourly rate of pay and accrued sick leave hours. Management then recorded approximately 35% of this total as consideration of other assumptions that should impact the calculation.

December 31, 2023

7. DEFERRED REVENUE

	Opening balance	Contributions received	Revenue recognized	Ending balance
MSI grant	\$ 2,390,130	\$ 824,841	\$ (1,326,747)	\$ 1,888,224
Gas Tax fund	1,163,137	559,226	(24,058)	1,698,305
Policing grant	90,964	-	-	90,964
Kneehill	525,239	-	(75,034)	450,205
Flood Mitigation	6,116,682	27,375,275	(9,900,338)	23,591,619
STIP	1,264,495	275,388	(221,999)	1,317,884
AMWWP Grant	7,143	357,000	(364,143)	-
Other	451,387	978,713	(799,916)	630,184
	\$ 12,009,177	\$ 30,370,443	\$ (12,712,235)	\$ 29,667,385

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.

Municipal Sustainability Initiative Capital (MSI)

The Government of Alberta provides conditional grant funding through this program to assist with various capital expenditures in the Municipality. The use of these funds is restricted to eligible expenditures as approved under the funding agreement.

Gas Tax Fund (GTF)

The GTF is a permanent source of annual funding to provinces and territories who, in turn, flow this funding to their municipalities to support local infrastructure priorities. Municipalities select how best to direct the funds and have the flexibility to make strategic investments across 18 different project categories.

Policing Support Grant (PSG)

The PSG helps municipalities meet the costs of policing services. Municipalities are expected to use the funds to ensure adequate and effective policing and policing oversight, to assist in implementation of provincial policing initiatives, and/or to enhance policing services to residents. All municipalities that pay for their own policing qualify for this program. The grant is issued annually and no application is required.

Kneehill

Per this agreement Kneehill provides capital contributions to the Town of Drumheller for the ongoing water supply. These capital contributions are a user's contribution towards maintaining the network.

December 31, 2023

Flood Mitigation (Disaster Mitigation and Adaptation Fund - DMAF)

The DMAF grant is provided by the Government of Canada to municipalities to fund public infrastructure growth that helps to mitigate the potential economic, environmental and social impacts of climate change. The TOD incurs all expenses related to the building of berms along the river due to flooding, and then applies to have the amounts refunded. Any amounts not approved are the responsibility of the Town.

Strategic Transportation Infrastructure Program (STIP)

The Government of Alberta provides conditional grant funding through this program to assist the development and maintenance of local transportation infrastructure. The use of these funds is restricted to eligible expenditures as approved under the funding agreement.

Alberta Municipal Waste Water Partnership (AMWWP)

The AMWWP provides cost-shared funding to TOD to help build facilities for water supply and treatment, and wastewater treatment and disposal. Grant amounts are determined based on official population.

Other

Other deferred amounts are made up of 23 other liabilities, ranging from FCSS programs, meals on wheels, youth engagements and community partnerships.

December 31, 2023

8. LONG -TERM DEBT

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

	2023	2022
Alberta Capital Finance Authority Debentures	<u>\$ 5,605,506</u>	<u>\$ 6,367,676</u>

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
2024	\$ 762,170	\$ 262,041	\$ 1,024,211
2025	795,839	228,372	1,024,211
2026	831,011	193,200	1,024,211
2027	867,755	156,457	1,024,212
2028	819,377	118,071	937,448
Thereafter	1,529,354	134,934	1,664,288
	<u>\$ 5,605,506</u>	<u>\$ 1,093,075</u>	<u>\$ 6,698,581</u>

December 31, 2023

9. Asset Retirement Obligation

The Town owns several buildings which consisted of or are presumed to consist of asbestos due to the age of the building and, therefore, the town is legally required to perform abatement activities upon renovation or demolition of these buildings. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed. The estimated total liability of \$3,924,813 is based on the sum of discounted future cash flows for abatement activities using 4.25% inflation and a discount rate of 4.25%, useful life ranging from 40 - 75 years. The Town has not designated assets for settling the abatement activities.

	2023	Restated 2022
Balance, beginning of the year	\$ 3,765,209	\$ 3,621,818
Accretion expense	159,604	143,391
Estimated total liability	3,924,813	3,765,209

10. Liability for Contaminated Sites

The Town of Drumheller's financial statements include an expense of \$1,207,784 (2022 \$NIL) for the remediation of the Old Public Works (\$853,717) and Old Hospital sites (\$354,067). The expense for remediation results from chemicals that have seeped into the soil. The expense has been estimated using a net present value technique with a discount rate of 4.25% (2022 NIL) and one year, as the Town plans to remediate the contamination in 2024.

The Town has not completed Environmental Site Assessment II studies on other properties that could have potential contamination over an environmental standard, which could result in a liability that would be required to be accrued.

The Town owns a property obtained through tax foreclosure in a previous period, that was used by an auto wreckage business. The property contains an undetermined amount of contamination; however since the Environmental Protection and Enhancement Act indemnifies a municipality against responsibility for existing contamination that occurred prior to the municipality's possession, no provision has been recorded with respect to any future reclamation in these financial statements. Any expense will be recognized if and when management has the reclamation work done.

	2023	2022
Balance, beginning of the year	\$ -	\$ -
Contaminated sites liability expense	1,207,784	-
Estimated total liability	\$ 1,207,784	\$ -

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2023

11. TANGIBLE CAPITAL ASSETS

								2023
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	Total
Cost, beginning of year	\$ 16,961,998	\$ 4,397,988	\$ 45,261,211	\$172,248,374	\$ 10,464,097	\$ 4,408,185	\$ 26,652,999	\$280,394,852
Additions	461,436	692,212	970,145	8,239,014	912,960	679,762	16,337,868	28,293,397
Transfers	-	2,535,493	116,196	14,607,190	-	49,431	(17,308,310)	-
Write-downs & disposals	(58,103)	-	(1,343,039)	(19,021)	-	(267,649)	(8,175)	(1,695,987)
Cost, end of year	<u>\$ 17,365,331</u>	<u>\$ 7,625,693</u>	<u>\$ 45,004,513</u>	<u>\$195,075,557</u>	<u>\$ 11,377,057</u>	<u>\$ 4,869,729</u>	<u>\$ 25,674,382</u>	<u>\$306,992,261</u>
Accumulated amortization, beginning of year	\$ -	\$ 3,476,628	\$ 15,457,949	\$ 87,565,638	\$ 5,995,005	\$ 2,834,347	\$ -	\$115,329,566
Amortization	-	160,469	934,999	3,114,767	633,561	276,303	-	5,120,099
Disposals	-	-	-	(7,608)	-	(241,540)	-	(249,148)
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 3,637,097</u>	<u>\$ 16,392,948</u>	<u>\$ 90,672,797</u>	<u>\$ 6,628,566</u>	<u>\$ 2,869,110</u>	<u>\$ -</u>	<u>\$120,200,516</u>
Net carrying amount, end of year	<u>\$ 17,365,331</u>	<u>\$ 3,988,596</u>	<u>\$ 28,611,565</u>	<u>\$104,402,760</u>	<u>\$ 4,748,491</u>	<u>\$ 2,000,619</u>	<u>\$ 25,674,382</u>	<u>\$186,791,745</u>

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2023

11. TANGIBLE CAPITAL ASSETS (continued)

	Restated - 2022							
	Land	Land	Buildings	Engineered	Machinery	Vehicles	Work in	Total
	Improvements	Improvements		Structures	and		Progress	
Cost, beginning of year	\$ 18,616,478	\$ 3,981,433	\$ 43,252,114	\$ 170,964,496	\$ 10,393,585	\$ 3,971,914	\$ 10,514,443	\$ 261,694,463
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	(568,500)	-	(2,342,990)	(40,908)	(266,248)	-	(511,983)	(3,730,629)
Cost, end of year	\$ 16,961,998	\$ 4,397,988	\$ 45,261,211	\$ 172,248,374	\$ 10,464,097	\$ 4,408,185	\$ 26,652,999	\$ 280,394,852
Accumulated amortization, beginning of year	\$ -	\$ 3,430,728	\$ 14,280,018	\$ 84,508,647	\$ 5,581,478	\$ 2,415,151	\$ -	\$ 110,216,022
Amortization	-	45,900	1,177,931	3,107,159	633,511	419,196	-	5,383,697
Amortization on disposals	-	-	-	(50,168)	(219,984)	-	-	(270,152)
Accumulated amortization, end of year	\$ -	\$ 3,476,628	\$ 15,457,949	\$ 87,565,638	\$ 5,995,005	\$ 2,834,347	\$ -	\$ 115,329,567
Net carrying amount, end of year	\$ 16,961,998	\$ 921,360	\$ 29,803,262	\$ 84,682,736	\$ 4,469,092	\$ 1,573,838	\$ 26,652,999	\$ 165,065,285

Town of Drumheller
Notes to consolidated Financial Statements

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12. LAND HELD FOR RESALE

	2023	2022
Land held for resale	\$ 2,693,017	\$ 2,514,396

During the year there was an addition of \$360,091 in land and total disposals of \$181,470 in the year.

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	2023	2022 Restated
Tangible capital assets	\$ 306,992,261	\$ 280,394,852
Accumulated amortization	(120,200,516)	(115,329,567)
Asset retirement obligation	(3,924,813)	(3,765,209)
Long-term debt	(5,605,506)	(6,367,676)
	\$ 177,261,426	\$ 154,932,400

14. ACCUMULATED SURPLUS

	2023	2022 Restated
Equity in tangible capital assets	\$ 177,261,426	\$ 154,932,400
Unrestricted (deficit)/surplus	-	786,006
	177,261,426	155,718,406
Restricted surplus		
Equipment	3,448,887	4,258,915
Facilities	3,558,620	4,377,532
Offsite Levies	461,727	451,879
Water	6,634,002	8,526,985
Wastewater	4,416,513	4,463,753
Storm Drain	1,437,731	1,238,104
Municipal Reserve	12,236	12,236
Sandstone	241,000	201,000
Transportation	2,714,961	3,829,599
Other	90,364	2,136,222
	23,016,041	29,496,225
	\$ 200,277,467	\$ 185,214,631

Town of Drumheller
Notes to consolidated Financial Statements

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15. CHANGE IN ACCUMULATED SURPLUS

	Unrestricted surplus	Restricted surplus	Equity in tangible capital assets	2023	Restated 2022
Balance, beginning of year	\$ 786,006	\$ 29,496,225	\$ 154,932,400	\$ 185,214,631	\$ 171,573,032
Excess of revenue over expenses	15,062,836	-	-	15,062,836	13,641,599
Net operating transfers to restricted surplus	6,480,184	(6,480,184)	-	-	-
Debenture principal payments	(762,170)	-	762,170	-	-
Acquisition of capital	(28,293,397)	-	28,293,397	-	-
Disposals and write-down of tangible capital assets	1,606,442	-	(1,606,442)	-	-
Amortization	5,120,099	-	(5,120,099)	-	-
Change in accumulated surplus	\$ (786,006)	\$ (6,480,184)	\$ 22,329,026	\$ 15,062,836	\$ 13,641,599
Balance, end of year	\$ -	\$ 23,016,041	\$ 177,261,426	\$ 200,277,467	\$ 185,214,631

Town of Drumheller
Notes to consolidated Financial Statements

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16. 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:

	<u>2023</u>	<u>2022</u>
Total debt limit	\$ 35,297,883	\$ 32,575,907
Total debt	5,605,506	6,367,676
Total debt limit available	<u>29,692,377</u>	<u>26,208,231</u>
Debt servicing limit	5,882,981	5,429,318
Debt servicing	1,024,211	1,024,211
Total debt servicing limit available	<u>\$ 4,858,770</u>	<u>\$ 4,405,107</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.

17. CONTINGENCIES

The Town is a member of the Alberta Local Municipal Insurance Exchange (Munix). Under the terms of membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The Town has been named as defendant in various claims in the ordinary course of operations. The Town has retained a legal counsel who has advised that it is premature to make any determination of the possible outcome or possible settlement amount of these claims at this stage. Consequently, no provision for these claims has been made in the financial statements.

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2023

18. 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 \$80,788,875 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 2023 is \$1,573,000 (2022 - \$1,984,000)

The Town has a forward purchase agreement to obtain electricity from 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.

19. NET MUNICIPAL TAXES

	Budget 2023	2023	2022
Real property	\$ 12,360,884	\$ 12,280,372	\$ 11,873,957
Machinery and equipment	42,661	39,723	37,836
Linear property	468,943	501,777	458,081
Local improvement	56,000	56,953	57,152
	<u>12,928,488</u>	<u>12,878,825</u>	<u>12,427,026</u>
Requisitions			
Alberta School Foundation Fund	(2,721,534)	(2,568,550)	(2,661,762)
Sunshine Senior's Lodge	(562,979)	(552,225)	(552,979)
Travel Drumheller	-	(20,000)	-
	<u>(3,284,513)</u>	<u>(3,140,775)</u>	<u>(3,214,741)</u>
Available for general municipal purposes	<u>\$ 9,643,975</u>	<u>\$ 9,738,050</u>	<u>\$ 9,212,285</u>

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2023

20. GOVERNMENT TRANSFERS

	Budget 2023	2023	2022
Operating			
Federal government	\$ 37,200	\$ 36,000	\$ 60,900
Provincial government	993,865	1,400,194	1,018,414
	<u>\$ 1,031,065</u>	<u>\$ 1,436,194</u>	<u>\$ 1,079,314</u>
Capital			
Federal government	\$ 6,445,911	\$ 6,445,911	\$ 4,768,708
Provincial government	12,855,336	12,817,127	14,087,007
	<u>\$ 19,301,247</u>	<u>\$ 19,263,038</u>	<u>\$ 18,855,715</u>
Total government transfers	<u>\$ 20,332,312</u>	<u>\$ 20,699,232</u>	<u>\$ 19,935,029</u>

21. EXPENSES BY OBJECT

	Budget 2023	2023	Restated 2022
Salaries and wages	\$ 8,230,131	\$ 8,352,394	\$ 7,710,881
Contracted and general services	4,398,241	5,827,276	4,751,163
Purchases from other governments	1,869,780	1,573,298	1,984,259
Materials, goods and utilities	3,023,611	3,211,587	2,914,602
Transfer to local agencies and individuals	641,115	406,159	450,679
Bank charges and short term interest	24,550	116,787	29,692
Interest on long-term debt	349,326	258,378	290,471
Amortization	3,774,960	5,120,099	5,383,697
Accretion	-	159,604	143,392
Other expenditures	87,175	1,642,125	281,829
	<u>\$ 22,398,889</u>	<u>\$ 26,667,707</u>	<u>\$ 23,940,665</u>

Town of Drumheller
Notes to consolidated Financial Statements

December 31, 2023

22. 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 8.45% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 12.23% for the excess. Employees contribute to the Plan at a rate of 7.45% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 11.23% for the excess.

Contributions for the year were:

	2023	2022
Employer contributions	\$ 441,279	\$ 380,276
Employee contributions	393,034	339,053
	\$ 834,313	\$ 719,329

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, 2022 indicates a surplus of \$12.7 billion (2021 - \$11.9 billion) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

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Notes to consolidated Financial Statements

December 31, 2023

23. 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 2023</u>	<u>Total 2022</u>
Mayor Colberg	\$ 48,572	\$ 8,749	\$ 57,321	\$ 56,833
Councillor Hansen-Zacharuk	26,179	6,555	32,734	31,364
Councillor Zariski	26,959	2,170	29,129	30,481
Councillor Lacher	26,139	2,378	28,517	27,994
Councillor Sereda	25,139	6,651	31,790	33,439
Councillor Kolafa	26,959	6,760	33,719	33,164
Councilor Price	25,919	6,698	32,617	33,989
Chief Administration Officer	216,594	33,512	250,106	228,458

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.

24. 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>2023</u>
Budget reported in the financial statements	\$ 19,319,469
Less:	\$ -
Capital expenditures	(19,301,247)
Budgeted transfers from reserves	(18,222)
Budgeted capital excess (deficiency) of revenue over expenditures	\$ (18,222)
Financial budget approved by Council	\$ -

December 31, 2023

25. 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

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25. 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

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25. 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	2023 Total
Revenue									
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	9,738,050	\$ 9,738,050
Government transfers for operating	3,124	-	-	-	10,000	26,000	351,215	1,045,855	1,436,194
Government transfers for capital	17,048,685	834,704	364,294	-	-	1,015,355	-	-	19,263,038
Sales and user fees	361,282	208,328	6,402,379	397,557	700,914	672,970	62,928	162,603	8,968,961
Franchises and concessions	-	-	-	-	-	-	-	1,986,191	1,986,191
Investment income	-	-	-	-	-	-	-	86,987	86,987
Fines and costs	-	-	24,599	-	-	-	-	117,117	141,716
Rental revenue	-	4,000	-	-	131,370	433,650	-	-	569,020
Impairment of land held for resale	-	-	-	-	(23,760)	-	-	-	(23,760)
Other	5,336	200,448	201,628	58	43,668	167,836	63,020	76,248	758,242
Loss on disposal of assets	(1,235,037)	38,141	-	2,800	-	-	-	-	(1,194,096)
	<u>16,183,390</u>	<u>1,285,621</u>	<u>6,992,900</u>	<u>400,415</u>	<u>862,192</u>	<u>2,315,811</u>	<u>477,163</u>	<u>13,213,051</u>	<u>41,730,543</u>
Expenses									
Salaries and wages	1,269,978	1,262,813	1,778,767	1,569	136,291	2,343,698	352,682	1,206,597	8,352,395
Contracted and general services	428,712	652,600	1,500,422	421,933	530,103	1,215,208	169,425	908,873	5,827,276
Purchases from other governments	1,573,298	-	-	-	-	-	-	-	1,573,298
Materials, goods and utilities	103,366	1,033,886	1,137,116	876	74	811,491	8,756	116,022	3,211,587
Transfer to local agencies	-	-	-	-	95,912	267,547	42,700	-	406,159
Bank charges and short- term interests	-	8,737	669	-	64	24,134	-	83,183	116,787
Interest on long-term debt	-	-	140,814	-	-	117,564	-	-	258,378
Amortization	336,969	1,408,377	2,045,000	-	106,589	1,057,820	9,356	155,988	5,120,099
Other	8,228	45,190	64,633	-	1,240,665	1,777	-	281,631	1,642,124
Accretion	20,809	17,896	37,013	-	9,814	60,138	-	13,934	159,604
	<u>3,741,360</u>	<u>4,429,499</u>	<u>6,704,434</u>	<u>424,378</u>	<u>2,119,512</u>	<u>5,899,377</u>	<u>582,919</u>	<u>2,766,228</u>	<u>26,667,707</u>
Net surplus (deficit)	<u>\$ 12,442,030</u>	<u>\$ (3,143,878)</u>	<u>\$ 288,466</u>	<u>\$ (23,963)</u>	<u>\$ (1,257,320)</u>	<u>\$ (3,583,566)</u>	<u>\$ (105,756)</u>	<u>\$ 10,446,823</u>	<u>\$ 15,062,836</u>

Town of Drumheller
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25. 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	5,958,262	135,944	127,772	561,703	55,419	166,704	7,614,746
Franchises and concessions	-	-	-	-	-	-	-	2,023,698	2,023,698
Investment income	-	-	-	-	-	-	-	523,273	523,273
Fines and costs	-	-	20,185	-	-	-	-	157,181	177,366
Rentals	-	4,500	-	-	85,177	444,063	-	-	533,740
Impairment	-	-	-	-	(1,009,023)	-	-	-	(1,009,023)
Other	20,709	8,020	104,882	13	177,002	230,056	79,791	156,623	777,096
Gain on disposal of assets	(2,219,590)	24,547	-	-	-	(10,901)	-	-	(2,205,944)
	<u>12,992,675</u>	<u>2,390,379</u>	<u>7,037,697</u>	<u>135,957</u>	<u>(597,232)</u>	<u>2,630,097</u>	<u>455,783</u>	<u>12,536,908</u>	<u>37,582,264</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 interest	-	6,751	635	-	132	16,118	17	6,039	29,692
Interest on long-term debt	-	-	159,568	-	-	130,902	-	-	290,470
Amortization	197,397	1,205,062	1,972,397	-	106,589	1,744,451	5,839	151,962	5,383,697
Other	131	815	13,510	-	(6,605)	4,097	-	269,882	281,830
Accretion	19,961	17,166	35,504	-	9,815	47,580	-	13,366	143,392
	<u>3,541,550</u>	<u>3,999,727</u>	<u>5,671,558</u>	<u>401,994</u>	<u>892,960</u>	<u>6,287,367</u>	<u>590,208</u>	<u>2,555,301</u>	<u>23,940,665</u>
Net surplus (deficit)	<u>\$ 9,451,125</u>	<u>\$ (1,609,348)</u>	<u>\$ 1,366,139</u>	<u>\$ (266,037)</u>	<u>\$ (1,490,192)</u>	<u>\$ (3,657,270)</u>	<u>\$ (134,425)</u>	<u>\$ 9,981,607</u>	<u>\$ 13,641,599</u>

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26. Financial Instruments

The Town is exposed to credit risk, liquidity risk, and interest rate risk from its financial instruments. This note describes the Town's objectives, policies, and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Town is exposed to credit risk through its cash, accounts receivable, and investments.

The Town manages its credit risk by credit approval process and holding cash at federally regulated chartered banks and cash accounts insured up to \$100,000. The Town measures its exposure to credit risk based on historical experience regarding collections. The maximum exposure to credit risk at the financial statement date is the carrying value of its cash and accounts receivable as outlined in Note 5. Accounts receivable arise primarily as a result of sales receivable. Based on this knowledge, credit risk of cash and accounts receivable are assessed as low.

The Town manages exposure to credit risk for portfolio investments by ensuring adequate diversification and by maintaining its investments are in compliance with Town Investment Regulations. As a result, the Town has reduced exposure to market or value risk.

Liquidity risk

Liquidity risk is the risk that the Town will encounter difficulty in meeting obligations associated with financial liabilities. The Town is exposed to liquidity risk through its accounts payable, long-term debt, and investments.

The Town manages this risk by maintaining a balance of short term or highly liquid investments and staggers maturity dates of investments for cash flow needs. Also to help manage the risk, the Town has in place a planning, budgeting and forecasting process to help determine the funds required to support the normal operating requirements. The Town measures its exposure to liquidity risk based on extensive budgeting.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Town is exposed to interest rate risk through its portfolio investments and long-term debt. The Town manages interest rate risk by holding all debt through Alberta Capital Finance Authority at a fixed rate and holding term and fixed income investments with fixed rates. Therefore, fluctuations in the market interest rates would not impact future cash flows and operations relating to long-term debt and term deposit and fixed income notes investments. See notes 3 and 8 for interest rates and maturity dates related thereto.

Town of Drumheller
Notes to consolidated Financial Statements

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27. COMPARATIVE FIGURES

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

28. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved these financial statements.
