

TOWN OF TURNER VALLEY
Consolidated Financial Statements
For the year ended December 31, 2012

TOWN OF TURNER VALLEY
TABLE OF CONTENTS
For the year ended December 31, 2012

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT REPORT	2
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF OPERATIONS	4
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS	5
CONSOLIDATED STATEMENT OF CASH FLOW	6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	7 - 17
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS	18 - 20

INDEPENDENT AUDITORS' REPORT

To: The Mayor and Members of Council of
the Town of Turner Valley

We have audited the accompanying consolidated financial statements of the Town of Turner Valley which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Emphasis of matter

We draw attention to note 14 to the consolidated financial statements which describes the amendments made to the prior year's figures. Our audit opinion is not qualified in respect of this matter.

Lethbridge, Alberta

Young Parkyn McNab LLP

June 17, 2013

Chartered Accountants

MANAGEMENT REPORT

The consolidated financial statements are the responsibility of the management of the Town of Turner Valley.

These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town of Turner Valley is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility principally through the committee of the whole.

The Council meets annually with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council also considers the engagement or re-appointment of the external auditors. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Young Parkyn McNab LLP, Chartered Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Young Parkyn McNab LLP has full and free access to the Council.

Chief Administrative Officer

TOWN OF TURNER VALLEY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2012

	2012	2011 (Restated)
Financial assets		
Cash and temporary investments (note 2)	\$ 4,269,780	\$ 4,742,622
Taxes and grants in place of taxes receivable (note 3)	625,219	864,526
Trade and other receivables	1,530,647	752,601
Land held for resale	48,414	48,414
	<u>6,474,060</u>	<u>6,408,163</u>
Liabilities		
Accounts payable and accrued liabilities	415,636	433,848
Employee benefit obligations (note 4)	44,706	31,901
Deposits	591,340	774,896
Deferred revenue (note 5)	20,907	200,584
Long-term debt (note 6)	1,848,083	1,943,373
Obligation under capital lease (note 7)	58,096	78,094
	<u>2,978,768</u>	<u>3,462,696</u>
Net financial assets	<u>3,495,292</u>	<u>2,945,467</u>
Non-financial assets		
Prepaid expenses	43,315	28,446
Inventory for consumption	32,752	25,219
Tangible capital assets (schedule 2)	29,865,748	29,696,907
	<u>29,941,815</u>	<u>29,750,572</u>
Accumulated surplus (note 8)	<u>\$ 33,437,107</u>	<u>\$ 32,696,039</u>

Commitments and contingencies (note 19)

Approved on behalf of Council:

Councillor _____

Councillor _____

TOWN OF TURNER VALLEY
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2012

	Budget (Unaudited)	2012	2011 (Restated)
Revenue			
Net municipal taxes (note 11)	\$ 2,242,713	\$ 2,242,753	\$ 2,237,902
User fees and sales of goods	1,334,745	1,276,474	1,293,992
Government transfers for operating (note 12)	205,173	265,636	181,458
Investment income	59,879	62,269	70,859
Penalties and costs of taxes	174,959	222,666	190,112
Licenses and permits	54,695	90,196	55,664
Gain on disposal of capital assets	850,000	396,515	-
Franchise and concession contracts	135,580	151,573	130,580
Other revenue	68,496	106,956	12,398
	5,126,240	4,815,038	4,172,965
Expenses (note 13)			
Legislative	223,532	182,723	216,946
Administration	788,795	925,214	680,924
Fire	197,532	130,445	155,423
Disaster services	31,187	21,510	19,592
Emergency medical	16,162	16,162	12,239
Bylaw enforcement	293,104	268,064	245,398
Transportation services	1,044,512	1,100,548	957,115
Water supply and distribution	906,339	878,660	1,056,001
Wastewater treatment and disposal	391,439	334,168	361,080
Waste management	257,301	245,355	209,448
Family and community support services	70,556	68,234	44,757
Cemeteries and crematoriums	38,850	38,850	41,775
Land use planning, zoning and development	189,810	139,743	235,074
Economic and agricultural development	100,017	82,709	80,225
Parks and recreation	536,534	483,864	380,480
Culture - libraries, museums, halls	111,527	140,321	97,842
	5,197,197	5,056,570	4,794,319
Deficiency of revenue over expenses before other	(70,957)	(241,532)	(621,354)
Other			
Government transfers for capital (note 12)	792,675	982,600	1,977,651
Excess of revenue over expenses	721,718	741,068	1,356,297
Accumulated surplus, beginning of year			
As previously stated	32,783,849	32,783,849	31,339,742
Prior period adjustment (note 14)	-	(87,810)	-
As restated	32,783,849	32,696,039	31,339,742
Accumulated surplus, end of year	\$ 33,505,567	\$ 33,437,107	\$ 32,696,039

TOWN OF TURNER VALLEY
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2012

	Budget (Unaudited)	2012	2011 (Restated)
Excess of revenue over expenses	\$ 721,718	\$ 741,068	\$ 1,356,297
Acquisition of tangible capital assets	(1,173,693)	(1,661,840)	(3,666,803)
Amortization	857,917	1,039,511	973,179
(Gain) loss on disposal of tangible capital assets	-	(396,513)	7,707
Proceeds on disposal of tangible capital assets	-	850,000	125,547
	(315,776)	(168,842)	(2,560,370)
Net change in inventory for consumption	-	(7,532)	27,606
Net change in prepaid expense	-	(14,869)	(15,228)
	-	(22,401)	12,378
Change in net financial assets	405,942	549,825	(1,191,695)
Net financial assets, beginning of year	2,945,467	2,945,467	4,137,162
Net financial assets, end of year	\$ 3,351,409	\$ 3,495,292	\$ 2,945,467

TOWN OF TURNER VALLEY
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2012

	2012	2011 (Restated)
Operating transactions		
Excess of revenue over expenses	\$ 741,068	\$ 1,356,297
Adjustments for items which do not affect cash		
(Gain) loss on disposal of tangible capital assets	(396,513)	7,707
Amortization	1,039,511	973,179
	1,384,066	2,337,183
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	239,307	(198,221)
Trade and other receivables	(778,045)	620,706
Inventory for consumption	(7,532)	27,606
Prepaid expenses	(14,869)	(15,228)
Accounts payable and accrued liabilities	(18,212)	17,777
Employee benefit obligations	12,805	14,974
Deposits	(183,556)	35,296
Deferred revenue	(179,677)	(561,777)
Cash provided by operating transactions	454,287	2,278,316
Capital transactions		
Proceeds on disposal of tangible capital assets	850,000	125,547
Acquisition of tangible capital assets	(1,661,840)	(3,666,803)
Cash applied to capital transactions	(811,840)	(3,541,256)
Financing transactions		
Repayment of capital lease	(19,999)	(19,123)
Repayment of long-term debt	(95,290)	(91,526)
Decrease in cash and temporary investments	(472,842)	(1,373,589)
Cash and temporary investments, beginning of year	4,742,622	6,116,211
Cash and temporary investments, end of year	\$ 4,269,780	\$ 4,742,622

TOWN OF TURNER VALLEY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

1. Significant accounting policies

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

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, changes in fund balances and change in financial position of the reporting entity which comprises all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

Taxes levied also includes requisitions for educational, health care, social and other external organizations that are not part of the municipal reporting entity.

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

(b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(c) Inventories for resale

Land held for resale is recorded at the lower of cost and 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 waste water services, roads, sidewalks, and street lighting are recorded as physical assets under their respective function.

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

TOWN OF TURNER VALLEY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

1. Significant accounting policies, continued

(e) Prepaid local improvements charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowing. These levies are collectible from property owners for work performed by the Town.

Where a taxpayer has elected to prepay the outstanding local improvement charge, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowing, the deferred revenue is amortized to the revenue by an amount equal to the debt repayment.

(f) Requisition over-levy and under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(g) Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

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

(h) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(i) 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 excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

TOWN OF TURNER VALLEY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

1. Significant accounting policies, continued

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Buildings	50
Engineered structures	30-65
Machinery and equipment	10-25
Vehicles	10-25

One-half of the annual amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

(iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(iv) Inventories

Inventories of materials and supplies for consumption are valued at the lower of cost and net realizable value with cost determined by the average cost method.

2. Cash and temporary investments

	2012	2011
Cash	\$ 1,730,141	\$ 2,278,325
Marketable securities	2,539,639	2,464,297
	<u>\$ 4,269,780</u>	<u>\$ 4,742,622</u>

Marketable securities consist of funds invested in the Servus Credit Union Savings account in the amount of \$269,681 (2011 - \$266,689) and Guaranteed Investment Certificates in the amount of \$2,269,958 (2011 - \$2,197,608) which bear interest at 0.60% and mature in February 2013.

TOWN OF TURNER VALLEY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

3. Taxes and grants in place of taxes receivables

	2012	2011
Current taxes and grants in place of taxes receivable	\$ 242,735	\$ 469,723
Arrears	382,484	394,803
	\$ 625,219	\$ 864,526

4. Employee benefit obligations

	2012	2011
Vacation and overtime payable	\$ 44,706	\$ 31,901

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and they are vested) or are entitled to these benefits within the next budgetary year.

Sick time

Sick time can be accumulated up to 960 hours per employee however this amount is not paid out upon the termination of employment therefore no accrual is recorded. The current value of the sick time accrual is \$214,819 (2011 - \$200,167).

5. Deferred revenue

	2012	2011 (Restated)
Basic Municipal Transportation	\$ 13,548	\$ -
Resident donations - spray park	2,000	-
Deferred revenue	1,700	-
Resident donations - recycling	1,650	1,650
Rural Communities Adaptation Program	1,231	87,810
Resident donations - trees	450	-
Licenses	328	-
Municipal Sustainability Initiative - capital	-	88,405
Municipal Sustainability Initiative - operating	-	22,719
	\$ 20,907	\$ 200,584

TOWN OF TURNER VALLEY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

6. Long-term debt

	2012	2011
Self supported debentures	\$ 1,607,197	\$ 1,672,884
Self supported non-revolving term facility	240,886	270,489
	<u>\$ 1,848,083</u>	<u>\$ 1,943,373</u>
Current portion	<u>\$ 98,917</u>	<u>\$ 95,196</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2013	\$ 98,917	\$ 74,115	\$ 173,032
2014	102,788	70,244	173,032
2015	106,816	66,216	173,032
2016	111,006	62,026	173,032
2017	115,367	57,665	173,032
Thereafter	1,313,189	466,480	1,779,669
	<u>\$ 1,848,083</u>	<u>\$ 796,746</u>	<u>\$ 2,644,829</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.875% to 5.096% per annum, before Provincial subsidy, and matures in periods 2020 through 2035. The non-revolving term facility is repayable to Royal Bank of Canada and bears interest at 4.11% per annum and matures in 2019. The average annual interest rate is 4.08% for 2012 (4.08% for 2011). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9% and 11% to a maximum annual credit of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town at large.

Interest on long-term debt and the capital lease amounted to \$80,835 (2011 - \$81,451).

The Town's total cash payments for interest in 2012 were \$80,929 (2011 - \$84,620).

TOWN OF TURNER VALLEY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

7. Capital lease obligation

	2012	2011
Royal Bank of Canada	\$ 58,096	\$ 78,094
	\$ 58,096	\$ 78,094
Current portion	\$ 20,913	\$ 19,123

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2013	\$ 20,913	\$ 2,179	\$ 23,092
2014	37,183	516	37,699
	\$ 58,096	\$ 2,695	\$ 60,791

This lease is repayable in monthly installments of \$1,924 including interest at 4.48%. Security pledged consists of equipment with a carrying value of \$93,365. The lease expires April 2014.

8. Accumulated surplus

Accumulated surplus consists of internally restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2012	2011 (Restated)
Internally restricted surplus (reserves) (note 9)	\$ 5,477,538	\$ 5,020,599
Equity in tangible capital assets (note 10)	27,959,569	27,675,440
	\$ 33,437,107	\$ 32,696,039

TOWN OF TURNER VALLEY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

9. Reserves

Council has set up reserves for various purposes. These reserves are either required by legislation or set up at the discretion of Council to provide funding for future expenses.

	2012	2011
Operating		
General	\$ 32,453	\$ 32,453
Other	806,717	678,725
	839,170	711,178
Capital		
Administration	221,499	216,689
Common services	276,334	366,516
Roads, streets, walks and lighting	35,842	35,301
Water supply and distribution	894,160	803,379
Wastewater treatment and disposal	425,197	519,453
Other	2,718,560	2,368,083
Culture	66,776	-
	4,638,368	4,309,421
	\$ 5,477,538	\$ 5,020,599

10. Equity in tangible capital assets

	2012	2011
Tangible capital assets (schedule 2)	\$ 48,836,380	\$ 47,815,898
Accumulated amortization (schedule 2)	(18,970,632)	(18,118,991)
Long-term debt (note 6)	(1,848,083)	(1,943,373)
Capital lease obligation (note 7)	(58,096)	(78,094)
	\$ 27,959,569	\$ 27,675,440

TOWN OF TURNER VALLEY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

11. Net municipal property taxes

	Budget (Unaudited)	2012	2011
Taxation			
Real property taxes	\$ 3,127,229	\$ 3,035,515	\$ 2,945,419
Linear property taxes	-	79,171	74,236
Government grants in place of property taxes	-	13,041	18,744
Special assessments and local improvements	23,652	23,194	21,520
	3,150,881	3,150,921	3,059,919
Requisitions			
Alberta School Foundation Fund	810,175	808,695	736,733
Christ the Redeemer School Division	53,238	54,718	49,054
Seniors Foundation	44,755	44,755	36,230
	908,168	908,168	822,017
	\$ 2,242,713	\$ 2,242,753	\$ 2,237,902

12. Government transfers

	Budget (Unaudited)	2012	2011
Transfers for operating:			
Provincial unconditional grants	\$ 4,400	\$ 3,493	\$ -
Provincial conditional grants	195,141	256,894	174,826
Federal conditional grants	5,632	5,249	6,632
	205,173	265,636	181,458
Transfers for capital			
Provincial conditional grants	792,675	954,038	1,545,796
Federal government	-	4,937	392,228
Local government	-	23,625	39,627
	792,675	982,600	1,977,651
	\$ 997,848	\$ 1,248,236	\$ 2,159,109

TOWN OF TURNER VALLEY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

13. Expenditures by object

	Budget (Unaudited)	2012	2011
Salaries, wages and benefits	\$ 1,792,627	\$ 1,650,942	\$ 1,538,728
Contracted and general services	1,409,272	1,322,006	1,298,147
Materials, goods, supplies and utilities	655,212	559,549	516,954
Interest on long term debt	78,353	80,835	81,451
Other expenditures	4,307	2,372	5,317
Transfers to organizations and others	399,509	401,355	372,836
Loss on disposal of tangible capital assets	-	-	7,707
Amortization of tangible capital assets	857,917	1,039,511	973,179
	\$ 5,197,197	\$ 5,056,570	\$ 4,794,319

14. Prior period adjustment

The prior year's revenues have been adjusted to defer \$87,810 of Rural Communities Adaptation grant program funding. The net effect of this adjustment is an increase in deferred revenue of \$87,810, a decrease in accumulated surplus as at December 31, 2011 and a decrease in the excess of revenue over expenses for the ended December 31, 2011 of \$87,810.

15. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town be disclosed as follows:

	2012	2011
Total debt limit	\$ 7,222,557	\$ 6,391,166
Total debt	1,906,179	2,021,467
	\$ 5,316,378	\$ 4,369,699
Debt servicing limit	\$ 1,203,760	\$ 1,065,194
Debt servicing	196,124	196,124
	\$ 1,007,636	\$ 869,070

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

TOWN OF TURNER VALLEY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

16. Salary and benefits disclosure

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

	(1)	(2)		
	Salary	Benefits & allowances	2012	2011
Council				
Mayor Tuck	\$ 20,962	\$ 827	\$ 21,789	\$ 22,031
Councillor Fluter	12,123	1,247	13,370	16,464
Councillor Williamson	11,627	412	12,039	10,934
Councillor Park	9,123	373	9,496	8,251
Councillor Moore	8,402	57	8,459	8,827
Councillor Pheil	10,047	3,872	13,919	15,508
Councillor Rishaug	9,322	316	9,638	9,626
Administrator - M.D. of Foothills	78,400	-	78,400	48,853
Administrator				
- Transitional Solutions Inc.	\$ -	\$ -	\$ -	\$ 49,140

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

(2) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long- and short-term disability plans, professional memberships, and tuition.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

17. Segmented disclosure

The Town provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements disclosed in note 1.

Refer to the schedule of segmented disclosure (schedule 3).

18. Comparative figures

Where necessary the comparative figures for the 2011 year have been reclassified to conform with 2012 financial statement presentation.

TOWN OF TURNER VALLEY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

19. Commitments and contingencies

The Town of Turner Valley is a member of the Alberta Municipal Insurance Exchange (MUNIX) which provides liability insurance. The investment in this program is not reflected as an asset in the accompanying financial statements.

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.

20. Financial instruments

The Town of Turner Valley's financial instruments consist of cash and temporary investments, trade and other receivables, taxes and grants in place of taxes receivable, accounts payable and accrued liabilities, deposit liabilities, capital lease obligations and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risk arising from these financial instruments.

The Town of Turner Valley is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

21. Approval of financial statements

These financial statements were approved by Council and Management.

22. Budget amounts

The 2012 budget for the Town was approved by Council and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified. The budget as originally approved contained expenses for capital additions, debt repayments and fund transfers. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget presented in these financial statements.

Budgeted surplus per financial statements	\$ 721,718
Less: Capital expenses	(1,173,693)
Long-term debt repayments	(93,917)
Transfers from reserves (net)	(312,025)
Add: Amortization	857,917
Equals: Balanced budget	\$ -

TOWN OF TURNER VALLEY
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2012	2011 (restated)
Balance, beginning of year					
As previously stated	\$ -	\$ 5,108,409	\$ 27,675,440	\$ 32,783,849	\$ 31,339,742
Prior period adjustment	-	(87,810)	-	(87,810)	-
As restated	-	5,020,599	27,675,440	32,696,039	31,339,742
Excess of revenue over expenses	741,068	-	-	741,068	1,356,297
Unrestricted funds designated for future use	(1,062,867)	1,062,867	-	-	-
Restricted funds used for operations	252,374	(252,374)	-	-	-
Restricted funds used for tangible capital assets	-	(353,554)	353,554	-	-
Current year funds used for tangible capital assets	(1,308,285)	-	1,308,285	-	-
Disposal of tangible capital assets	453,487	-	(453,487)	-	-
Annual amortization expense	1,039,511	-	(1,039,511)	-	-
Long term debt repaid	(95,290)	-	95,290	-	-
Capital lease repaid	(19,998)	-	19,998	-	-
Change in accumulated surplus	-	456,939	284,129	741,068	1,356,297
Balance, end of year	\$ -	\$ 5,477,538	\$ 27,959,569	\$ 33,437,107	\$ 32,696,039

TOWN OF TURNER VALLEY
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

Schedule of tangible capital assets

Schedule 2

	Land	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2012	2011
Cost:								
Balance, beginning of year	\$ 999,394	\$ 8,069,178	\$ 29,538,211	\$ 1,362,232	\$ 618,958	\$ 7,227,925	\$ 47,815,898	\$ 44,304,584
Acquisitions	-	451,654	6,757	40,431	23,801	1,139,196	1,661,839	3,666,803
Construction-in-progress	-	4,292,927	2,098,064	-	-	(6,390,991)	-	-
Disposals	-	(634,244)	(7,113)	-	-	-	(641,357)	(155,489)
Balance, end of year	999,394	12,179,515	31,635,919	1,402,663	642,759	1,976,130	48,836,380	47,815,898
Accumulated amortization:								
Balance, beginning of year	-	3,320,436	13,878,276	579,929	340,351	-	18,118,992	17,168,049
Annual amortization	-	196,115	691,186	98,495	53,716	-	1,039,512	973,178
Disposals	-	(187,872)	-	-	-	-	(187,872)	(22,236)
Balance, end of year	-	3,328,679	14,569,462	678,424	394,067	-	18,970,632	18,118,991
Net book value	\$ 999,394	\$ 8,850,836	\$ 17,066,457	\$ 724,239	\$ 248,692	\$ 1,976,130	\$ 29,865,748	\$ 29,696,907
2011 net book value	\$ 999,394	\$ 4,748,743	\$ 15,659,935	\$ 782,303	\$ 278,606	\$ 7,227,925	\$ 29,696,905	

TOWN OF TURNER VALLEY
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

Schedule of segmented disclosure								Schedule 3
	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
Revenue								
Net municipal taxes	\$ 2,219,559	\$ -	\$ 9,285	\$ 13,909	\$ -	\$ -	\$ -	\$ 2,242,753
User fees and sales of goods	90,057	32,127	-	1,056,580	-	2,800	94,910	1,276,474
Government transfers for operating	86,579	9,935	-	115,789	44,591	1,000	7,742	265,636
Investment income	62,269	-	-	-	-	-	-	62,269
Penalties and costs of taxes	142,213	74,994	-	5,459	-	-	-	222,666
Licenses and permits	16,730	8,093	54,473	-	-	10,900	-	90,196
Gain on disposal of capital assets	396,515	-	-	-	-	-	-	396,515
Franchise and concession contracts	131,358	-	-	-	-	-	20,215	151,573
Other revenue	19,538	2,934	2,310	-	-	8,507	73,667	106,956
	3,164,818	128,083	66,068	1,191,737	44,591	23,207	196,534	4,815,038
Expenses								
Salaries, wages and benefits	553,392	222,421	215,644	304,054	-	143,995	211,436	1,650,942
Contracted and general services	474,417	97,278	149,676	408,108	10,525	71,445	110,557	1,322,006
Materials, goods, supplies and utilities	59,990	47,319	236,469	122,766	323	7,012	85,670	559,549
Interest on long term debt	-	-	15,481	27,149	-	-	38,205	80,835
Other expenditures	2,660	-	-	-	-	-	(288)	2,372
Transfers to organizations and others	-	19,344	-	202,488	96,237	-	83,286	401,355
Amortization of tangible capital assets	17,478	49,818	483,279	393,618	-	-	95,318	1,039,511
	1,107,937	436,180	1,100,549	1,458,183	107,085	222,452	624,184	5,056,570
Deficiency of revenue over expenses before other	2,056,881	(308,097)	(1,034,481)	(266,446)	(62,494)	(199,245)	(427,650)	(241,532)
Other								
Government transfers for capital	-	-	76,264	896,463	-	-	9,873	982,600
Excess of revenue over expenses	\$ 2,056,881	\$ (308,097)	\$ (958,217)	\$ 630,017	\$ (62,494)	\$ (199,245)	\$ (417,777)	\$ 741,068