

**TOWN OF TURNER VALLEY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

## Management's Responsibility

To the Members of Council of the Town of Turner Valley:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

Council is composed entirely of individuals who are neither management nor employees of the Town. Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Town's external auditors.

MNP LLP is appointed by Council to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Council and management to discuss their audit findings.

April 27, 2017

A handwritten signature in black ink, appearing to read 'T. O. B.', is written over a horizontal line.

Chief Financial Officer

## Independent Auditors' Report

To the Members of Council of the Town of Turner Valley:

We have audited the accompanying financial statements of the Town of Turner Valley, which comprise the statement of financial position at December 31, 2016, the statements of operations, change in net financial assets, cash flows, and related schedules for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these 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 an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the 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 controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Town of Turner Valley as at December 31, 2016, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Other Matter*

The financial statements of the Town as at and for the year ended December 31, 2015 were audited by another firm of chartered professional accountants who expressed an unmodified audit opinion dated April 28, 2016.

Turner Valley, Alberta  
April 27, 2017

*MNP LLP*

Chartered Professional Accountants


**MNP**

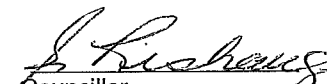
**Town of Turner Valley**  
**Statement of Financial Position**  
As at December 31, 2016

	2016	2015
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 3)	9,180,575	9,571,643
Receivables		
Taxes and grants in place of taxes receivable (Note 4)	228,507	295,794
Trade and other receivables (Note 5)	1,625,861	2,387,231
Investments (Note 6)	4,485,932	51,527
	<b>15,569,289</b>	<b>12,354,609</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	442,914	1,125,851
Deposit liabilities	526,184	585,620
Deferred revenue (Note 7)	5,671,833	6,812,764
Long-term debt (Note 8)	2,118,396	2,173,746
	<b>8,759,327</b>	<b>10,697,981</b>
<b>NET FINANCIAL ASSETS</b>	<b>6,809,962</b>	<b>1,656,628</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule II)	37,707,229	55,852,686
Land held for resale inventory	48,414	48,414
Inventory for consumption	1,706	4,167
Prepaid expenses	55,324	82,244
	<b>37,764,259</b>	<b>55,939,097</b>
<b>ACCUMULATED SURPLUS (Schedule I, Note 11)</b>	<b>44,574,221</b>	<b>57,595,725</b>

Contingencies - See Note 15

Approved on behalf of Council

  
Mayor

  
Councillor

The accompanying notes are an integral part of these financial statements

**Town of Turner Valley**  
**Statement of Operations**  
For the year ended December 31, 2016

	2016 Budget (Note 17)	2016	2015
<b>REVENUE</b>			
Development levies	85,333	82,594	-
Fines, rentals, licenses and permits	97,500	77,565	114,119
Franchise and concession contracts	227,550	206,662	201,842
Gain on disposal of tangible capital assets	-	157,058	-
Government transfers for operating (Schedule IV)	155,716	883,758	329,826
Investment income	60,000	82,478	44,458
Net municipal taxes (Schedule III)	2,887,071	2,976,641	2,790,138
Other revenue	379,577	119,314	128,803
Penalties and costs of taxes	153,160	122,428	143,306
User fees and sales of goods	2,168,225	1,882,768	1,679,138
	6,214,132	6,591,266	5,431,630
<b>EXPENSES</b>			
Legislative	291,987	312,241	254,257
Administration	942,169	967,730	1,043,346
Bylaw enforcement	279,723	290,943	229,732
Cemeteries and crematoriums	54,642	54,642	50,920
Culture - libraries, museums, halls	299,876	298,541	261,379
Disaster services	67,468	59,035	43,453
Economic and agricultural development	162,318	138,513	152,978
Family and community support services	74,855	60,204	51,489
Fire	250,741	203,023	182,369
Land use planning, zoning and development	367,148	349,468	363,960
Parks and recreation	700,365	706,315	680,462
Transportation services	1,401,663	1,654,745	1,256,140
Waste management	355,872	376,218	320,218
Wastewater treatment and disposal	567,231	650,825	524,153
Water supply and distribution	1,135,508	15,564,252	1,167,724
	6,951,566	21,686,695	6,582,580
<b>DEFICIENCY OF REVENUE OVER EXPENSES BEFORE OTHER</b>	<b>(737,434)</b>	<b>(15,095,429)</b>	<b>(1,150,950)</b>
<b>OTHER</b>			
Contributed tangible capital assets	-	-	450,000
Government transfers for capital (Schedule IV)	8,488,275	2,073,925	13,909,013
	8,488,275	2,073,925	14,359,013
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>7,750,841</b>	<b>(13,021,504)</b>	<b>13,208,063</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>57,595,725</b>	<b>57,595,725</b>	<b>44,387,662</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>65,346,566</b>	<b>44,574,221</b>	<b>57,595,725</b>

The accompanying notes are an integral part of these financial statements

**Town of Turner Valley**  
**Statement of Change in Net Financial Assets**  
For the year ended December 31, 2016

	2016 Budget (Note 17)	2016	2015
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	7,750,841	(13,021,504)	13,208,063
Acquisition of tangible capital assets	(9,035,357)	(2,370,984)	(14,880,641)
Contributed tangible capital assets	-	-	(450,000)
Transfer to other organizations (Schedule II and Note 6)	-	18,497,593	-
Proceeds on disposal of tangible capital assets	90,000	159,423	-
Amortization of tangible capital assets	1,032,574	1,079,359	1,032,573
Loss on disposal of tangible capital assets	-	780,066	-
Use of inventory for consumption	-	2,461	2,196
Use (acquisition) of prepaid assets	-	26,920	(7,699)
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(161,942)	5,153,334	(1,095,508)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	1,656,628	1,656,628	2,752,136
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	1,494,686	6,809,962	1,656,628

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

**Town of Turner Valley**  
**Statement of Cash Flows**  
For the year ended December 31, 2016

	2016	2015
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (deficiency) of revenue over expenses	(13,021,504)	13,208,063
Non-cash items included in excess (deficiency) of revenue over expenses:		
Amortization of tangible capital assets	1,079,359	1,032,573
Tangible capital assets received as contributions	-	(450,000)
Loss on disposal of tangible capital assets	780,066	-
Contributions of tangible capital assets to other organizations	13,987,658	-
Non-cash charges to operations (net change):		
Decrease in taxes and grants in lieu receivable	67,287	45,485
Decrease in trade and other accounts receivable	761,370	575,810
Decrease in inventory for consumption	2,461	2,196
Decrease (increase) in prepaid expenses	26,920	(7,699)
Increase (decrease) in accounts payable and accrued liabilities	(682,937)	77,421
Decrease in deposit liabilities	(59,436)	(37,378)
Decrease in deferred revenue	(1,140,931)	(5,010,803)
Cash provided by operating transactions	1,800,313	9,435,668
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(2,370,984)	(14,880,641)
Proceeds on disposal of tangible capital assets	159,423	-
Cash applied to capital transactions	(2,211,561)	(14,880,641)
<b>INVESTING</b>		
Increase in investments	(2,376,584)	-
Proceeds on transfer to other organizations	2,452,114	-
Cash provided by (applied to) investing transactions	75,530	-
<b>FINANCING</b>		
Proceeds of long-term debt	100,000	635,000
Repayment of long-term debt	(155,350)	(122,879)
Cash provided by financing transactions	(55,350)	512,121
<b>CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR</b>	(391,068)	(4,932,852)
<b>CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR</b>	9,571,643	14,504,495
<b>CASH AND TEMPORARY INVESTMENTS, END OF YEAR</b>	9,180,575	9,571,643

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

**Town of Turner Valley**  
**Schedule I - Schedule of Changes in Accumulated Surplus**  
For the year ended December 31, 2016

	Unrestricted Surplus	Restricted Surplus (Note 13)	Equity in Tangible Capital Assets (Note 10)	2016	2015
<b>BALANCE, BEGINNING OF YEAR</b>	<b>685,875</b>	<b>3,230,910</b>	<b>53,678,940</b>	<b>57,595,725</b>	<b>44,387,662</b>
Excess (deficiency) of revenue over expenses	(13,021,504)	-	-	(13,021,504)	13,208,063
Unrestricted funds designated for future use	(3,055,910)	3,055,910	-	-	-
Restricted funds used for tangible capital assets	-	(343,024)	343,024	-	-
Current year funds used for tangible capital assets	(2,027,960)	-	2,027,960	-	-
Disposal of tangible capital assets	939,489	-	(939,489)	-	-
Transfer to other organizations (Note 6)	18,497,593	-	(18,497,593)	-	-
Annual amortization expense	1,079,359	-	(1,079,359)	-	-
Long-term debt proceeds	100,000	-	(100,000)	-	-
Long-term debt repaid	(155,350)	-	155,350	-	-
<b>Change in accumulated surplus</b>	<b>2,355,717</b>	<b>2,712,886</b>	<b>(18,090,107)</b>	<b>(13,021,504)</b>	<b>13,208,063</b>
<b>BALANCE, END OF YEAR</b>	<b>3,041,592</b>	<b>5,943,796</b>	<b>35,588,833</b>	<b>44,574,221</b>	<b>57,595,725</b>

The accompanying notes are an integral part of these financial statements



**Town of Turner Valley**  
**Schedule II - Schedule of Tangible Capital Assets**  
For the year ended December 31, 2016

	Land & Land Improvements	Vehicles	Buildings	Engineered Structures	Machinery & Equipment	Assets Under Construction	2016	2015
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	1,339,394	1,357,121	12,237,458	35,378,982	3,292,173	23,716,469	77,321,597	61,990,956
Acquisition of tangible capital assets	-	159,001	87,763	1,768,686	187,232	168,302	2,370,984	15,330,641
Transfers of assets	-	319,500	4,661	-	(319,500)	(4,661)	-	-
Disposal of tangible capital assets	-	(59,945)	-	-	(32,234)	(937,123)	(1,029,302)	-
Transfer to other organizations	(944,027)	-	(4,343,551)	(752,809)	-	(13,902,523)	(19,942,910)	-
BALANCE, END OF YEAR	395,367	1,775,677	7,986,331	36,394,859	3,127,671	9,040,464	58,720,369	77,321,597
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	550,545	3,902,107	16,002,736	1,013,523	-	21,468,911	20,436,338
Annual amortization	-	143,041	265,022	549,792	121,504	-	1,079,359	1,032,573
Accumulated amortization on disposals	-	(58,040)	-	-	(31,773)	-	(89,813)	-
Accumulated amortization on transfer	-	-	(1,408,519)	(36,798)	-	-	(1,445,317)	-
BALANCE, END OF YEAR	-	635,546	2,758,610	16,515,730	1,103,254	-	21,013,140	21,468,911
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>395,367</b>	<b>1,140,131</b>	<b>5,227,721</b>	<b>19,879,129</b>	<b>2,024,417</b>	<b>9,040,464</b>	<b>37,707,229</b>	<b>55,852,686</b>
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,339,394	806,576	8,335,351	19,376,246	2,278,650	23,716,469	55,852,686	

The accompanying notes are an integral part of these financial statements

**Town of Turner Valley**  
**Schedule III - Schedule of Property and Other Taxes**  
For the year ended December 31, 2016

	2016 Budget	2016	2015
<b>TAXATION</b>			
Real property taxes	3,628,951	3,817,726	3,527,228
Linear property taxes	80,028	74,745	80,028
Government grants in lieu of property taxes	23,729	25,421	23,729
	3,732,708	3,917,892	3,630,985
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	754,270	842,630	749,047
Christ the Redeemer School Division	50,080	57,307	50,514
Seniors Foundation	41,287	41,314	41,286
	845,637	941,251	840,847
<b>NET MUNICIPAL PROPERTY TAXES</b>	2,887,071	2,976,641	2,790,138

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

**Town of Turner Valley**  
**Schedule IV - Schedule of Government Transfers**  
For the year ended December 31, 2016

	2016 Budget	2016	2015
<b>TRANSFERS FOR OPERATING</b>			
Provincial government	85,000	807,236	263,569
Other local governments	70,716	76,522	66,257
	155,716	883,758	329,826
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	8,323,893	1,996,854	13,569,246
Federal government	164,382	77,071	339,767
	8,488,275	2,073,925	13,909,013
<b>TOTAL GOVERNMENT TRANSFERS</b>	8,643,991	2,957,683	14,238,839

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

**Town of Turner Valley**  
**Schedule V - Schedule of Expenses by Object**  
For the year ended December 31, 2016

	2016 Budget	2016	2015
<b>EXPENSES BY OBJECT</b>			
Amortization of tangible capital assets	1,032,574	1,079,359	1,032,575
Bank charges and short-term interest	1,800	2,443	1,921
Contracted and general services	1,728,421	1,666,710	1,517,025
Interest on long-term debt	70,563	92,051	76,399
Loss on disposal of tangible capital assets	-	937,123	-
Materials, goods and utilities	655,196	613,717	776,275
Other expenses	42,000	65,035	50,481
Provision for allowances	-	5,370	-
Salaries, wages and benefits	2,741,158	2,696,677	2,664,106
Transfers to local boards and agencies	679,854	603,352	463,798
Transfers to other organizations (Note 6)	-	13,924,858	-
	6,951,566	21,686,695	6,582,580

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

**Town of Turner Valley**  
**Schedule VI - Schedule of Segmented Disclosure**  
For the year ended December 31, 2016

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Public Health Services	Total
<b>REVENUE</b>								
Net municipal taxes	2,976,641	-	-	-	-	-	-	2,976,641
Government transfers	813,524	85,000	457,327	70,000	47,460	1,446,201	38,171	2,957,683
User fees and sales of goods	281,522	144,302	586	71,839	90,986	1,700,584	-	2,289,819
Investment income	82,478	-	-	-	-	-	-	82,478
Other revenue	143,161	21,664	17,578	48,215	38,655	89,178	119	358,570
	4,297,326	250,966	475,491	190,054	177,101	3,235,963	38,290	8,665,191
<b>EXPENSES</b>								
Bank charges and short-term interest	2,140	-	-	-	303	-	-	2,443
Contracted and general services	399,133	96,684	354,938	165,488	164,122	481,990	4,355	1,666,710
Interest on long-term debt	-	12,480	19,721	-	41,126	18,724	-	92,051
Loss on disposal of tangible capital assets	-	-	-	-	-	937,123	-	937,123
Materials, goods and utilities	49,483	52,586	243,837	1,931	115,478	149,969	433	613,717
Other expenses	3,366	5,372	-	35,566	26,101	-	-	70,405
Salaries, wages and benefits	784,168	316,838	355,477	284,996	396,018	548,672	10,508	2,696,677
Transfers to local boards and agencies	8,893	19,109	15,633	-	114,245	345,922	99,550	603,352
Transfers to other organizations	-	-	-	-	-	13,924,858	-	13,924,858
	1,247,183	503,069	989,606	487,981	857,393	16,407,258	114,846	20,607,336
<b>NET REVENUE, BEFORE AMORTIZATION</b>	3,050,143	(252,103)	(514,115)	(297,927)	(680,292)	(13,171,295)	(76,556)	(11,942,145)
Amortization expense	32,788	49,932	665,139	-	147,463	184,037	-	1,079,359
<b>NET REVENUE</b>	3,017,355	(302,035)	(1,179,254)	(297,927)	(827,755)	(13,355,332)	(76,556)	(13,021,504)

**Town of Turner Valley**  
**Notes to the Financial Statements**  
For the year ended December 31, 2016

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Turner Valley (the "Town") are the representations of management prepared in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of CPA Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

**a) Reporting entity**

The financial statements reflect the assets, liabilities, revenue and expenses, and changes in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Town for the administration of their financial affairs and resources.

The Town is a member of various other boards, commissions and other organizations that are not part of the municipal reporting entity, including the Westend Regional Sewage Services Commission.

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

The financial 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) Measurement uncertainty (use of estimates)**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses 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.

The area which requires management to make significant judgements, estimates and assumptions in determining carrying values include, but are not limited to:

**(a) Amortization**

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives. Management reviews useful lives and residual values of the depreciable assets at each reporting date, based on the expected utilization of the assets by the company. Significant judgement is involved in the determination of useful life and residual values will not differ significantly from current assumptions.

**(b) Allowance for doubtful accounts**

Trade and other accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

**1. SIGNIFICANT ACCOUNTING POLICIES** *(continued from previous page)*

**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.

**e) Requisition Over-levy and Under-levy**

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

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

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

**f) Land held for resale inventory**

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as roads, sidewalks and street lighting are recorded as physical assets under the respective function. Proceeds from sales of land held for resale are recorded as revenue in the period in which the events giving rise to the transfer occurred, providing the transfers are authorized, the eligibility criteria have been met and reasonable estimates of the amounts can be made.

**g) Tax revenue**

Tax revenue is 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 revenue.

**h) Contaminated sites liability**

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Town is directly responsible and accepts responsibility;
- it is expected that the 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 remediation activities including post remediation operations, maintenance and monitoring.

**i) Government Transfers**

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transactions, 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.

**Town of Turner Valley**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2016*

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**1. SIGNIFICANT ACCOUNTING POLICIES** *(continued from previous page)*

**j) 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 revenue over expenses, provides the Change in Net Financial Assets for the year.

**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 over the estimated useful life as follows:

	<u>Years</u>
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 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. Inventory for consumption**

Inventory held for consumption are recorded at the lower of cost and replacement cost.

**v. Reserves for future expenditures**

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and from reserve funds are reflected as an adjustment to the respective fund.



**2. CURRENT AND FUTURE ACCOUNTING CHANGES** *(continued from previous page)*

**PS 2200 - Related party transactions**

This new section defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party discussions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted. The Town does not expect the adoption of the new section to have a material impact on its financial statements.

**PS 3210 - Assets**

This new section provides guidance for applying the definition of an assets set out in Section PS 1000 *Financial statement concepts* and establishes general disclosure standards for assets. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted. The Town does not expect the adoption of the new section to have a material impact on its financial statements.

**PS 3320 - Contingent assets**

This new section defines and establishes disclosure requirements for contingent assets. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted. The Town does not expect the adoption of the new section to have a material impact on its financial statements.

**PS 3380 - Contractual rights**

This new section defines and establishes disclosure requirements for contractual rights. Contractual rights are right to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted. The Town does not expect the adoption of the new section to have a material impact on its financial statements.

**PS 3420 - Inter-entity transactions**

This section establishes how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted. The Town does not expect the adoption of the new section to have a material impact on its financial statements.

**PS 1201 - Financial statement presentation**

This section revises and replaces the existing Section PS 1200 *Financial statement presentation*. This section applies to fiscal years beginning on or after April 1, 2019, with early adoption permitted. The Town does not expect the adoption of the new section to have a material impact on its financial statements.

**PS 2601 - Foreign currency translation**

This section revises and replaces the existing PS 2600 *Foreign currency translation*. This section applies to fiscal years beginning on or after April 1, 2019, with early adoption permitted. The Town does not expect the adoption of the new section to have a material impact on its financial statements.

**PS 3041 - Portfolio investments**

This section revises and replaces the existing PS 3040 *Portfolio investments*. This section applies to fiscal years beginning on or after April 1, 2019, with early adoption permitted. The Town does not expect the adoption of the new section to have a material impact on its financial statements.

**PS 3045 - Financial instruments**

This section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This section applies to fiscal years beginning on or after April 1, 2019, with early adoption permitted. The Town does not expect the adoption of the new section to have a material impact on its financial statements.

**Town of Turner Valley**  
**Notes to the Financial Statements**  
For the year ended December 31, 2016

**3. CASH AND TEMPORARY INVESTMENTS**

	2016	2015
Cash	3,135,241	9,571,643
Temporary investments	6,045,334	-
	<b>9,180,575</b>	<b>9,571,643</b>

Temporary investments are short-term deposits with maturities of three months or less.

**4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE**

	2016	2015
Current taxes and grants in place of taxes	171,012	226,183
Arrears	57,495	69,611
	<b>228,507</b>	<b>295,794</b>

**5. TRADE AND OTHER RECEIVABLES**

	2016	2015
Trade and other receivables	461,067	557,625
Local improvement levies	292,244	223,553
Goods and services tax	54,189	223,715
Capital grants receivable	818,341	1,382,155
Accrued investment earnings	20	183
	<b>1,625,861</b>	<b>2,387,231</b>

**6. INVESTMENTS**

	2016	2015
Short-term notes and deposits	2,428,111	51,527
Sheep River Regional Utility Corp. - 45.00% ownership	2,057,821	-
	<b>4,485,932</b>	<b>51,527</b>

Short-term notes and deposits have effective interest rates of 0.50% to 1.35% (2015 - 0.65% to 0.65%) and mature in less than one year.

Included in short-term notes and deposits are \$60,764 (2015 - \$60,371) of funds held in trust.

During the year, the Town transferred the water system on an adjusted net book value basis to the Sheep River Regional Utility Corp. ("SRRUC") for total consideration of \$4,509,935. The consideration received was composed of common shares with a cost basis of \$2,057,821 and \$2,452,114 in cash. The water system, was purchased in prior years using government transfers for capital, had a net book value of \$18,497,593 resulting in a net transfer of \$13,987,658.

**7. DEFERRED REVENUE**

	2016	2015
Basic Municipal Transportation	-	132,251
Disaster Recovery Program	679,708	1,531,646
Flood Recovery Erosion Control	4,559,003	3,909,874
Municipal Sustainability Initiative - Capital	311,358	916,488
Municipal Sustainability Initiative - Operating	18,000	-
Resident donations	26,450	31,950
Southern Alberta Flood Response Program	46,121	208,658
Other deferred revenue	31,193	81,897
	<b>5,671,833</b>	<b>6,812,764</b>

**Town of Turner Valley**  
**Notes to the Financial Statements**  
For the year ended December 31, 2016

**8. LONG-TERM DEBT**

	2016	2015
Self supported debentures	2,009,447	2,029,825
Self supported non-revolving term facility	108,949	143,921
	<b>2,118,396</b>	<b>2,173,746</b>

The current portion of the long-term debt amounts to \$170,178 (2015 - \$155,906).

Principal and interest repayments are as follows:

	Principal	Interest	Total
2017	170,178	71,772	241,950
2018	175,428	66,522	241,950
2019	177,572	61,084	238,656
2020	146,830	56,118	202,948
2021	116,449	51,767	168,216
Thereafter	1,331,939	333,213	1,665,152
	<b>2,118,396</b>	<b>640,476</b>	<b>2,758,872</b>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.593% to 5.096% per annum, before Provincial subsidy, and matures in periods 2020 through 2035.

The non-revolving term facility is repayable to the Royal Bank of Canada and bears interest at 3.00% per annum and matures in 2020.

For qualifying debentures, the Province of Alberta rebates 60% of interest of 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.

The Town of Turner Valley's total cash payments for interest on long-term debt in 2016 was \$92,051 (2015 - \$76,399).

**9. DEBT LIMITS**

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

	2016	2015
Total debt limit	9,886,899	8,147,445
Total debt (Note 8)	<b>(2,118,396)</b>	<b>(2,173,746)</b>
Amount debt limit remaining	<b>7,768,503</b>	5,973,699
Debt servicing limit	1,647,817	1,357,908
Debt servicing	<b>(241,950)</b>	<b>(231,768)</b>
Service on debt limit remaining	<b>1,405,867</b>	1,126,140

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/2000) 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 a 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 Financial Statements**

For the year ended December 31, 2016

**10. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2016	2015
Tangible capital assets (Schedule II)	37,707,229	55,852,686
Long-term debt issued for capital purposes (Note 8)	(2,118,396)	(2,173,746)
	<b>35,588,833</b>	<b>53,678,940</b>

**11. ACCUMULATED SURPLUS**

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

	2016	2015
Unrestricted surplus	3,041,592	685,875
Restricted surplus (Note 13)	5,943,796	3,230,910
Equity in tangible capital assets (Note 10)	35,588,833	53,678,940
	<b>44,574,221</b>	<b>57,595,725</b>

**12. SEGMENTED DISCLOSURE**

The Town of Turner Valley provides a range of services to its ratepayers. For each reported segment, revenue 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 as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule VI).

**13. RESERVES**

Council has set aside funds as an internal allocation of accumulated surplus as follows:

	Balance Beginning	Additions	Reductions	Balance Closing
<b>Operating</b>				
Snow removal	-	75,252	-	75,252
Tax stabilization	91,635	74,021	-	165,656
Unallocated	759,086	345,164	284,000	820,250
Utility stabilization	330,279	-	45,000	285,279
	<b>1,181,000</b>	<b>494,437</b>	<b>329,000</b>	<b>1,346,437</b>
<b>Capital</b>				
Administration	258,411	-	-	258,411
Amortization	100,505	100,000	-	200,505
Capital reserves - proceeds from sales -	-	2,386,065	68,411	2,317,654
Culture	66,776	-	-	66,776
Parks and recreation - hall	7,264	-	-	7,264
Parks and recreation - pool	4,000	4,000	-	8,000
Roads, streets, walks and lighting	41,585	-	-	41,585
Unallocated	407,483	400,408	274,613	533,278
Wastewater treatment and disposal	234,193	-	-	234,193
Water supply and distribution	929,693	-	-	929,693
	<b>2,049,910</b>	<b>2,890,473</b>	<b>343,024</b>	<b>4,597,359</b>
	<b>3,230,910</b>	<b>3,384,910</b>	<b>672,024</b>	<b>5,943,796</b>

**Town of Turner Valley**  
**Notes to the Financial Statements**  
For the year ended December 31, 2016

**14. 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:

	Salary <sup>1</sup>	Benefits & allowances <sup>2</sup>	2016	2015
Mayor:				
Tuck	28,530	293	28,823	26,497
Councillors:				
Crane	15,934	743	16,677	20,452
Fluter	23,184	730	23,914	22,739
Park	14,284	743	15,027	15,015
Pfeil	18,964	743	19,707	24,801
Rishaug	17,834	743	18,577	16,365
Waring	16,338	600	16,938	15,322
Administrator	128,428	1,796	130,224	133,049
Designated officers (4 positions)	248,230	16,786	265,016	242,663

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, mileage allowances and any other direct cash remuneration.
2. 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.
3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances and club memberships.

**15. CONTINGENCIES**

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

**16. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with current year presentation.

**Town of Turner Valley**  
**Notes to the Financial Statements**  
For the year ended December 31, 2016

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**17. BUDGET INFORMATION**

The disclosed budget information has been approved by Council. The following is a reconciliation between the budget approved and that showing in the financial statements.

	<b>Budget</b>
Approved budget operating deficit	(1,032,574)
Debenture repayment	121,135
Debenture proceeds	(200,000)
Operating draw from reserve	(25,100)
Operating transfer to reserve	399,105
<u>Excess of revenue over expenses before other (Statement of Operations)</u>	<u>(737,434)</u>
Approved budget capital surplus	-
Capital reserve transfer	(547,082)
Proceeds on sale	90,000
Amortization of tangible capital assets, budgeted for in operating	1,032,574
<u>Capital surplus</u>	<u>575,492</u>
<u>Decrease in net financial assets</u>	<u>(161,942)</u>