

**TOWN OF TURNER VALLEY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**



## 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

May 3, 2018

A handwritten signature in dark ink, appearing to read 'K. L. ...', is written over a horizontal line.

Chief Administrative Officer



## Independent Auditors' Report

To the 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 at December 31, 2017, the consolidated 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 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.

### *Auditors' 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 an 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 auditors' 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 controls 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 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Town of Turner Valley as at December 31, 2017, 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.

Calgary, Alberta  
May 3, 2018

*MNP LLP*

Chartered Professional Accountants

**MNP**



# Town of Turner Valley


## Consolidated Statement of Financial Position


As at December 31, 2017

	2017	2016 (Restated)
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	971,423	9,220,494
Receivables		
Taxes and grants in place of taxes receivable (Note 3)	300,781	228,507
Trade and other receivables (Note 4)	1,189,888	1,569,115
Investments (Note 5)	10,552,084	2,428,111
	<b>13,014,176</b>	<b>13,446,227</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	619,931	437,438
Deposit liabilities	845,969	526,184
Deferred revenue (Note 6)	4,863,269	5,671,833
Long-term debt (Note 7)	1,948,205	2,118,396
	<b>8,277,374</b>	<b>8,753,851</b>
<b>NET FINANCIAL ASSETS</b>	<b>4,736,802</b>	<b>4,692,376</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule II)	42,389,131	42,175,562
Land held for resale inventory	48,414	48,414
Inventory for consumption	2,686	2,132
Prepaid expenses	35,799	61,670
	<b>42,476,030</b>	<b>42,287,778</b>
<b>ACCUMULATED SURPLUS</b> (Schedule I, Note 10)	<b>47,212,832</b>	<b>46,980,154</b>

Contingencies - See Note 14

Approved on behalf of Council

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Councillor

The accompanying notes are an integral part of these financial statements





**Town of Turner Valley**  
**Consolidated Statement of Operations**  
For the year ended December 31, 2017

	2017 Budget (Note 16)	2017	2016 (Restated)
<b>REVENUE</b>			
Development levies	-	-	82,594
Fines, rentals, licenses and permits	71,210	72,097	77,565
Franchise and concession contracts	222,403	276,065	206,662
Gain on disposal of tangible capital assets	-	-	157,058
Government transfers for operating (Schedule IV)	74,493	735,929	883,758
Investment income	60,000	98,205	82,647
Net municipal taxes (Schedule III)	3,017,433	3,047,150	2,976,641
Other revenue	222,101	253,687	87,654
Penalties and costs of taxes	150,000	117,876	122,428
User fees and sales of goods	1,719,322	1,891,252	1,791,564
	5,536,962	6,492,261	6,468,571
<b>EXPENSES</b>			
Legislative	392,887	374,503	312,241
Administration	957,366	1,061,333	919,189
Bylaw enforcement	290,592	279,209	290,943
Cemeteries and crematoriums	56,000	56,000	54,642
Culture - libraries, museums, halls	319,274	290,581	298,541
Disaster services	63,699	60,266	59,035
Economic and agricultural development	149,930	128,277	138,513
Family and community support services	74,784	77,886	60,204
Fire	313,997	285,420	203,023
Land use planning, zoning and development	266,523	229,217	349,468
Parks and recreation	871,140	913,574	706,315
Transportation services	1,273,144	1,440,004	1,654,745
Waste management	397,138	368,148	376,218
Wastewater treatment and disposal	690,254	1,343,894	650,825
Water supply and distribution	726,121	908,954	15,585,406
	6,842,849	7,817,266	21,659,308
<b>DEFICIENCY OF REVENUE OVER EXPENSES BEFORE OTHER</b>	(1,305,887)	(1,325,005)	(15,190,737)
<b>OTHER</b>			
Contributed tangible capital assets	-	-	2,501,241
Government transfers for capital (Schedule IV)	149,733	1,557,683	2,073,925
	149,733	1,557,683	4,575,166
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	(1,156,154)	232,678	(10,615,571)
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED</b>	44,574,221	44,574,221	57,595,725
<b>PRIOR PERIOD ADJUSTMENT (NOTE 17)</b>	-	2,405,933	-
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS RESTATED</b>	44,574,221	46,980,154	57,595,725
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	43,418,067	47,212,832	46,980,154

The accompanying notes are an integral part of these financial statements



**Town of Turner Valley**  
**Consolidated Statement of Change in Net Financial Assets**  
For the year ended December 31, 2017

	2017 Budget (Note 16)	2017	2016 (Restated)
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	(1,156,154)	<b>232,678</b>	(10,615,571)
Acquisition of tangible capital assets	(8,614,139)	<b>(1,515,480)</b>	(4,428,804)
Contributed tangible capital assets	-	-	(2,501,241)
Transfer to other organizations (Schedule II and Note 17)	-	-	18,497,593
Proceeds on disposal of tangible capital assets	-	-	159,423
Amortization of tangible capital assets	1,032,574	<b>1,301,911</b>	1,169,661
Loss on disposal of tangible capital assets (net)	-	-	780,066
Use (acquisition) of inventory for consumption	-	<b>(554)</b>	2,460
Use of prepaid assets	-	<b>25,870</b>	20,575
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(8,737,719)	<b>44,425</b>	3,084,162
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR, AS</b>			
PREVIOUSLY REPORTED	6,809,962	<b>6,809,962</b>	1,656,628
PRIOR PERIOD ADJUSTMENT (NOTE 17)	-	<b>(2,117,585)</b>	(48,414)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR AS</b>			
RESTATED	6,809,962	<b>4,692,377</b>	1,608,214
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	(1,927,757)	<b>4,736,802</b>	4,692,376

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**Town of Turner Valley**  
**Consolidated Statement of Cash Flows**  
For the year ended December 31, 2017

	2017	2016 (Restated)
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (deficiency) of revenue over expenses	232,678	(10,615,571)
Non-cash items included in excess (deficiency) of revenue over expenses:		
Amortization of tangible capital assets	1,301,911	1,169,661
Tangible capital assets received as contributions	-	(2,501,241)
Loss on disposal of tangible capital assets (net)	-	780,066
Contributions of tangible capital assets to other organizations	-	16,045,479
Non-cash charges to operations (net change):		
(Increase) decrease in taxes and grants in lieu receivable	(72,274)	67,287
Decrease in trade and other accounts receivable	379,227	818,116
(Increase) decrease in inventory for consumption	(554)	2,460
Decrease in prepaid expenses	25,871	20,575
Increase (decrease) in accounts payable and accrued liabilities	182,493	(688,413)
Increase (decrease) in deposit liabilities	319,785	(59,436)
Decrease in deferred revenue	(808,564)	(1,140,931)
Cash provided by operating transactions	1,560,573	3,898,052
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(1,515,480)	(4,428,804)
Proceeds on disposal of tangible capital assets	-	159,423
Cash applied to capital transactions	(1,515,480)	(4,269,381)
<b>INVESTING</b>		
Increase in investments	(8,123,973)	(2,376,584)
Proceeds on transfer to other organizations	-	2,452,114
Cash provided by (applied to) investing transactions	(8,123,973)	75,530
<b>FINANCING</b>		
Proceeds of long-term debt	-	100,000
Repayment of long-term debt	(170,191)	(155,350)
Cash provided by financing transactions	(170,191)	(55,350)
<b>CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR</b>	<b>(8,249,071)</b>	<b>(351,149)</b>
<b>CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR</b>	<b>9,220,494</b>	<b>9,571,643</b>
<b>CASH AND TEMPORARY INVESTMENTS, END OF YEAR</b>	<b>971,423</b>	<b>9,220,494</b>

The accompanying notes are an integral part of these financial statements



**Town of Turner Valley**

**Schedule I - Consolidated Schedule of Changes in Accumulated Surplus**

For the year ended December 31, 2017

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016 (Restated)
		(Note 12)	(Note 9)		
<b>BALANCE, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED</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>
<b>PRIOR PERIOD ADJUSTMENT (Note 17)</b>	<b>(2,078,083)</b>	<b>15,683</b>	<b>4,468,333</b>	<b>2,405,933</b>	<b>-</b>
<b>BALANCE, BEGINNING OF YEAR, AS RESTATED</b>	<b>963,509</b>	<b>5,959,479</b>	<b>40,057,166</b>	<b>46,980,154</b>	<b>57,595,725</b>
Excess (deficiency) of revenue over expenses	232,678	-	-	232,678	(10,615,571)
Restricted funds used for operating	220,486	(220,486)	-	-	-
Restricted funds used for tangible capital assets	-	(62,296)	62,296	-	-
Current year funds used for tangible capital assets	(1,453,184)	-	1,453,184	-	-
Annual amortization expense	1,301,911	-	(1,301,911)	-	-
Long-term debt repaid	(170,191)	-	170,191	-	-
<b>Change in accumulated surplus</b>	<b>131,700</b>	<b>(282,782)</b>	<b>383,760</b>	<b>232,678</b>	<b>(10,615,571)</b>
<b>BALANCE, END OF YEAR</b>	<b>1,095,209</b>	<b>5,676,697</b>	<b>40,440,926</b>	<b>47,212,832</b>	<b>46,980,154</b>

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**Town of Turner Valley**  
**Schedule II - Consolidated Schedule of Tangible Capital Assets**  
For the year ended December 31, 2017

	Land & Land Improvements	Vehicles	Buildings	Engineered Structures	Machinery & Equipment	Assets Under Construction	2017	2016 (Restated)
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	569,445	1,763,976	8,451,822	42,777,806	3,219,245	6,496,710	<b>63,279,004</b>	77,321,171
Acquisition of tangible capital assets	10,836	88,027	93,208	929,338	107,805	286,266	<b>1,515,480</b>	6,930,045
Disposal of tangible capital assets	-	-	-	-	-	-	-	(1,029,302)
Transfer to other organizations	-	-	-	-	-	-	-	(19,942,910)
BALANCE, END OF YEAR	580,281	1,852,003	8,545,030	43,707,144	3,327,050	6,782,976	<b>64,794,484</b>	63,279,004
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	632,507	2,575,958	16,831,037	1,063,940	-	<b>21,103,442</b>	21,468,911
Annual amortization	-	133,867	164,259	804,193	199,592	-	<b>1,301,911</b>	1,169,661
Accumulated amortization on disposals	-	-	-	-	-	-	-	(89,813)
Accumulated amortization on transfer	-	-	-	-	-	-	-	(1,445,317)
BALANCE, END OF YEAR	-	766,374	2,740,217	17,635,230	1,263,532	-	<b>22,405,353</b>	21,103,442
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>580,281</b>	<b>1,085,629</b>	<b>5,804,813</b>	<b>26,071,914</b>	<b>2,063,518</b>	<b>6,782,976</b>	<b>42,389,131</b>	42,175,562
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	569,445	1,131,469	5,875,864	25,946,769	2,155,305	6,496,710	42,175,562	

The accompanying notes are an integral part of these financial statements



**Town of Turner Valley**  
**Schedule III - Consolidated Schedule of Property and Other Taxes**  
For the year ended December 31, 2017

	2017 Budget (Note 16)	2017	2016
<b>TAXATION</b>			
Real property taxes	3,017,433	3,966,211	3,817,726
Linear property taxes	-	71,895	74,745
Government grants in lieu of property taxes	-	24,657	25,421
	3,017,433	4,062,763	3,917,892
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	-	970,787	842,630
Christ the Redeemer School Division	-	-	57,307
Westwinds Communities	-	44,826	41,314
	-	1,015,613	941,251
<b>NET MUNICIPAL PROPERTY TAXES</b>	3,017,433	3,047,150	2,976,641

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



**Town of Turner Valley**  
**Schedule IV - Consolidated Schedule of Government Transfers**

For the year ended December 31, 2017

	2017 Budget (Note 16)	2017	2016
<b>TRANSFERS FOR OPERATING</b>			
Provincial government	-	<b>643,436</b>	807,236
Other local governments	74,493	<b>92,493</b>	76,522
	74,493	<b>735,929</b>	883,758
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	148,171	<b>1,430,043</b>	1,996,854
Federal government	1,562	<b>127,640</b>	77,071
	149,733	<b>1,557,683</b>	2,073,925
<b>TOTAL GOVERNMENT TRANSFERS</b>	224,226	<b>2,293,612</b>	2,957,683

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



**Town of Turner Valley**  
**Schedule V - Consolidated Schedule of Expenses by Object**  
For the year ended December 31, 2017

	2017 Budget (Note 16)	2017	2016 (Restated)
<b>EXPENSES BY OBJECT</b>			
Amortization of tangible capital assets	1,032,574	<b>1,301,911</b>	1,169,662
Bank charges and short-term interest	1,800	<b>3,836</b>	2,538
Contracted and general services	1,559,887	<b>1,708,139</b>	1,666,515
Interest on long-term debt	203,629	<b>72,099</b>	92,051
Loss on disposal of tangible capital assets	-	-	937,123
Materials, goods and utilities	569,619	<b>596,395</b>	593,535
Other expenses	83,643	<b>53,264</b>	65,033
Provision for allowances	-	-	5,370
Salaries, wages and benefits	2,551,374	<b>2,706,683</b>	2,686,538
Transfers to local boards and agencies	840,323	<b>1,374,939</b>	574,128
Transfers to other organizations (Note 17)	-	-	13,866,815
	<b>6,842,849</b>	<b>7,817,266</b>	21,659,308

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





**Town of Turner Valley**  
**Schedule VI - Consolidated Schedule of Segmented Disclosure**  
For the year ended December 31, 2017

	Water Supply & Distribution	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Public Health Services	Total
<b>REVENUE</b>									
Net municipal taxes	-	3,047,150	-	-	-	-	-	-	3,047,150
Government transfers	-	162,250	-	199,782	-	29,653	1,827,756	74,171	2,293,612
User fees and sales of goods	196,083	6,010	56,864	-	4,350	129,000	1,498,945	-	1,891,252
Investment income	398	97,807	-	-	-	-	-	-	98,205
Other revenue	25	415,831	75,092	11,565	71,983	59,004	85,990	235	719,725
	196,506	3,729,048	131,956	211,347	76,333	217,657	3,412,691	74,406	8,049,944
<b>EXPENSES</b>									
Bank charges and short-term interest	120	2,494	-	-	-	1,222	-	-	3,836
Contracted and general services	303,960	514,524	112,295	337,604	80,261	188,954	167,034	3,507	1,708,139
Interest on long-term debt	16,108	-	9,251	16,644	-	30,096	-	-	72,099
Materials, goods and utilities	32,347	92,025	62,879	229,870	10,539	122,159	44,346	2,230	596,395
Other expenses	-	2,143	-	-	25,009	26,112	-	-	53,264
Salaries, wages and benefits	175,319	791,869	344,614	301,692	204,038	522,538	345,806	20,807	2,706,683
Transfers to local boards and agencies	134,552	3,120	20,164	-	37,647	123,301	948,813	107,342	1,374,939
	662,406	1,406,175	549,203	885,810	357,494	1,014,382	1,505,999	133,886	6,515,355
<b>NET REVENUE,</b>									
<b>BEFORE AMORTIZATION</b>	(465,900)	2,322,873	(417,247)	(674,463)	(281,161)	(796,725)	1,906,692	(59,480)	1,534,589
Amortization expense	246,548	29,661	75,692	554,194	-	189,773	206,043	-	1,301,911
<b>NET REVENUE</b>	<b>(712,448)</b>	<b>2,293,212</b>	<b>(492,939)</b>	<b>(1,228,657)</b>	<b>(281,161)</b>	<b>(986,498)</b>	<b>1,700,649</b>	<b>(59,480)</b>	<b>232,678</b>



# Town of Turner Valley

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated 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 consolidated 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 consolidated financial statements also include the Town's 45% ownership of the assets, liabilities, revenue and expenses of the Sheep River Regional Utility Corporation ("SRRUC") after the inter-entity transactions have been eliminated.

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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the consolidated 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:

##### i) 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.

##### ii) 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.



**Town of Turner Valley**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2017

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**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) Revenue recognition**

**i) Tax revenue**

The Town recognizes taxes as assets and revenue when they meet the definition of an asset, are authorized by Council, and the taxable event has occurred. Tax revenue is initially measured at Administration's best estimate of the amount resulting from the original taxable event in accordance with legislation. The related tax receivable is initially recognized at its realizable value at the date of acquisition. At each financial statement date, the Town evaluates the tax receivable for collectibility and records a valuation allowance to reflect the tax receivable at its net recoverable amount, if necessary.

**ii) 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.

The Town recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recorded as a liability. In such circumstances, the Town recognizes revenue as a liability is settled.

**iii) Other revenue**

The Town accounts for all other revenue in the period in which the transactions or events giving rise to the revenue occurred and collectibility is reasonably assured.



**Town of Turner Valley**  
**Notes to the Consolidated Financial Statements**

*For the year ended December 31, 2017*

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

**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.

It is management's assessment that no contaminated sites exist for the Town.

**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 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 is recorded at the lower of cost and replacement cost.





**Town of Turner Valley**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2017*

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

**i) Non-financial assets** *(continued from previous page)*

**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.

**vi) Restricted surplus - equity in tangible capital assets**

Equity in tangible capital assets represents the Town's net investment in its tangible capital assets after deducting the portion financed by third parties through debentures, mortgage debts, long-term capital borrowings, and other capital liabilities which will be repaid by the Town.

**j) Segmented information**

The Town conducts its business through a number of reportable segments. These operating segments are established by senior administration to facilitate the achievement of the Town's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent amounts that are directly attributable to the segments and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The accounting policies used in the segments are consistent with those followed in the preparation of the consolidated financial statements. For additional information, see the consolidated schedule of segmented disclosure (Schedule VI).



**Town of Turner Valley**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2017

**2. CASH AND TEMPORARY INVESTMENTS**

	2017	2016 (Restated)
Cash	971,423	3,175,160
Temporary investments	-	6,045,334
	<b>971,423</b>	<b>9,220,494</b>

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

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

	2017	2016
Current taxes and grants in place of taxes	244,490	171,012
Arrears	56,291	57,495
	<b>300,781</b>	<b>228,507</b>

**4. TRADE AND OTHER RECEIVABLES**

	2017	2016 (Restated)
Trade and other receivables	665,290	404,170
Local improvement levies	335,778	292,244
Goods and services tax	68,612	54,340
Capital grants receivable	120,208	818,341
Accrued investment earnings	-	20
	<b>1,189,888</b>	<b>1,569,115</b>

**5. INVESTMENTS**

	2017	2016 (Restated)
Short-term notes and deposits	10,552,084	2,428,111

Short-term notes and deposits have effective interest rates of 0.50% to 1.35% (2016 - 0.65% to 0.65%) and mature in less than one year.

The Town also administers \$60,744 (2016 - \$60,764) of short-term notes and deposits that represent funds held in trust.

**6. DEFERRED REVENUE**

	2017	2016
Disaster Recovery Program	545,880	679,708
Flood Recovery Erosion Control	3,887,958	4,559,003
Municipal Sustainability Initiative - Capital	233,192	311,358
Municipal Sustainability Initiative - Operating	-	18,000
Resident donations	26,450	26,450
Southern Alberta Flood Response Program	14,502	46,121
Other deferred revenue	155,287	31,193
	<b>4,863,269</b>	<b>5,671,833</b>



# Town of Turner Valley

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

### 7. LONG-TERM DEBT

	2017	2016
Self supported debentures	1,875,504	2,009,447
Self supported non-revolving term facility	72,701	108,949
	<b>1,948,205</b>	<b>2,118,396</b>

The current portion of the long-term debt amounts to \$175,428 (2016 - \$155,906).

Principal and interest repayments are as follows:

	Principal	Interest	Total
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
2022	120,199	48,017	168,216
Thereafter	1,211,727	287,157	1,498,884
	<b>1,948,205</b>	<b>570,665</b>	<b>2,518,870</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 from 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 2017 was \$72,099 (2016 - \$76,399).

### 8. 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:

	2017	2016 (Restated)
Total debt limit	9,738,392	9,702,857
Total debt (Note 7)	(1,948,205)	(2,118,396)
Amount debt limit remaining	<b>7,790,187</b>	<b>7,584,461</b>
Debt servicing limit	1,623,065	1,617,143
Debt servicing	(241,950)	(231,768)
Service on debt limit remaining	<b>1,381,115</b>	<b>1,385,375</b>

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 consolidated financial statements must be interpreted as a whole.



**Town of Turner Valley**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2017

**9. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2017	2016 (Restated)
Tangible capital assets (Schedule II)	42,389,131	42,175,562
Long-term debt issued for capital purposes (Note 7)	(1,948,205)	(2,118,396)
	<b>40,440,926</b>	<b>40,057,166</b>

**10. ACCUMULATED SURPLUS**

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

	2017	2016 (Restated)
Unrestricted surplus	1,095,209	963,509
Restricted surplus (Note 12)	5,676,697	5,959,479
Equity in tangible capital assets (Note 9)	40,440,926	40,057,166
	<b>47,212,832</b>	<b>46,980,154</b>

**11. 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 consolidated financial statements as disclosed in Note 1.

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

**12. RESERVES**

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

	Balance Beginning (Restated)	Net Change	Balance Closing
<b>Operating</b>			
Snow removal	75,252	-	75,252
Tax stabilization	165,656	(64,327)	101,329
Unallocated	820,250	(111,159)	709,091
Utility stabilization	285,279	(45,000)	240,279
	<b>1,346,437</b>	<b>(220,486)</b>	<b>1,125,951</b>
<b>Capital</b>			
Offsite levies	1,463,882	(42,839)	1,421,043
Capital reserves - asset replacement	2,615,883	(13,825)	2,602,058
Capital reserves - unallocated	533,277	(5,632)	527,645
	<b>4,613,042</b>	<b>(62,296)</b>	<b>4,550,746</b>
	<b>5,959,479</b>	<b>(282,782)</b>	<b>5,676,697</b>





# Town of Turner Valley

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

### 13. 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>	2017	2016
Mayor:				
Tuck, (10 months)	23,444	89	23,533	28,823
Rowntree, (2 months)	5,309	-	5,309	-
Councillors:				
Fluter, (10 months)	16,089	99	16,188	23,914
Pfeil, (10 months)	15,539	108	15,647	19,707
Rishaug, (10 months)	14,814	90	14,904	18,577
Park, (5 months)	6,174	54	6,228	15,027
Crane, (12 months)	18,085	141	18,226	18,577
Waring, (12 months)	18,285	-	18,285	16,938
Hamilton, (2 months)	3,746	-	3,746	-
Gordon, (2 months)	4,096	-	4,096	-
Raab, (2 months)	3,996	-	3,996	-
Holladay, (2 months)	3,946	-	3,946	-
Administrator	141,507	1,846	143,353	130,224
Designated officers (4 positions)	267,238	16,881	284,119	265,016

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.

### 14. 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.

### 15. COMPARATIVE FIGURES

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



**Town of Turner Valley**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2017

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**16. 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 consolidated financial statements.

	<b>Budget</b>
Approved budget operating deficit	(1,182,307)
Operating draw from reserve	(223,580)
Operating transfer to reserve	100,000
<u>Excess of revenue over expenses before other (Statement of Operations)</u>	<u>(1,305,887)</u>
Acquisition of tangible capital assets	(8,614,139)
Government transfers for capital	149,733
Amortization of tangible capital assets, included in operating budget	1,032,574
<u>Capital surplus (deficit)</u>	<u>(7,431,832)</u>
Decrease in net financial assets (Statement of Change in Net Financial Assets)	 (8,737,719)



**Town of Turner Valley**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2017

**17. PRIOR PERIOD ADJUSTMENT**

During the year, it was determined that the net financial assets as at December 31, 2016 had incorrectly included \$48,414 of land held for resale inventory from previous years. The December 31, 2016 net financial assets, beginning of year, as disclosed on the consolidated statement of change in net financial assets, has been restated to include this amount.

During the year ended December 31, 2016, the Town had transferred its water system on an adjusted net book value bases to the Sheep River Regional Utility Corp. ("SRRUC") for total consideration of \$4,509,935. The consideration received was composed of 45% ownership in the common shares of SRRUC with the cost base of \$2,057,821, and, \$2,452,114 in cash. The water system had been purchased in prior years using government transfers for capital, with a net book value of \$18,497,593. The elimination of inter-entity transactions between SRRUC and the Town on consolidation, reduced the initial transfer amount by \$120,843, thereby resulting in a net transfer out of the Town's consolidated financial statements of \$13,866,815.

During the year, the Town determined that its investment in SRRUC should be included in the Town's consolidated financial statements using the proportionate consolidation basis for its 45% ownership of SRRUC. The impact of this change was to increase the assets, liabilities, revenue, and expenses for the year ended December 31, 2016 for the 45% ownership that the Town has in SRRUC. This restatement affected the Town's 2016 comparative figures as follows:

	As previously reported	Adjustment	Restated
Cash and temporary investments	9,180,575	39,919	9,220,494
Trade and other receivables	1,625,861	(56,746)	1,569,115
Investments	4,485,932	(2,057,821)	2,428,111
Financial assets	15,569,289	(2,123,062)	13,446,227
Accounts payable and accrued liabilities	442,914	(5,476)	437,438
Financial liabilities	8,759,327	(5,476)	8,753,851
Net financial assets	6,809,961	(2,117,585)	4,692,376
Tangible capital assets	37,707,229	4,468,333	42,175,562
Prepaid expenses	55,324	6,346	61,670
Accumulated surplus	44,574,221	2,405,933	46,980,154
Revenue	6,591,266	(122,695)	6,468,571
Expenses	21,686,695	(27,387)	21,659,308
Contributed tangible capital assets	-	2,501,241	2,501,241
Excess (deficiency) of revenue over expenses	(13,021,504)	2,405,933	(10,615,571)

Included in the adjustments to revenue and expenses are \$179,649 of amounts that the Town transacted on behalf of SRRUC. Therefore, the proportionately consolidated figures above include both the increase of revenue and expenses from SRRUC's audited financial statements, reduced by inter-entity transactions recognized in the Town's financial statements and eliminated on consolidation.

