

**TOWN OF TURNER VALLEY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

April 29, 2019



Chief Administrative Officer

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of the Town of Turner Valley (the "Town"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, change in net financial assets, cash flows, and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Calgary, Alberta
April 29, 2019

Chartered Professional Accountants

Town of Turner Valley
Consolidated Statement of Financial Position
As at December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	287,473	971,423
Receivables		
Taxes and grants in place of taxes receivable (Note 3)	335,420	300,781
Trade and other receivables (Note 4)	2,054,160	1,189,888
Investments (Note 5)	9,749,739	10,552,084
	12,426,792	13,014,176
LIABILITIES		
Accounts payable and accrued liabilities	1,133,093	619,931
Deposit liabilities	787,620	845,969
Deferred revenue (Note 6)	3,881,362	4,863,269
Long-term debt (Note 7)	1,771,890	1,948,205
	7,573,965	8,277,374
NET FINANCIAL ASSETS	4,852,827	4,736,802
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule II)	44,137,145	42,389,131
Land held for resale inventory	48,414	48,414
Inventory for consumption	14,107	2,686
Prepaid expenses	25,782	35,799
	44,225,448	42,476,030
ACCUMULATED SURPLUS (Schedule I, Note 10)	49,078,275	47,212,832

Contingencies - See Note 14

Approved on behalf of Council

Mayor

Councillor

Town of Turner Valley
Consolidated Statement of Operations
For the year ended December 31, 2018

	2018 Budget (Note 16)	2018	2017
REVENUE			
Fines, rentals, licenses and permits	110,760	105,229	100,534
Franchise and concession contracts	239,639	232,233	276,065
Government transfers for operating (Schedule IV)	144,880	108,141	266,074
Investment income	90,000	212,173	98,205
Net municipal taxes (Schedule III)	3,190,383	3,066,726	3,047,150
Other revenue	114,301	158,338	225,250
Penalties and costs of taxes	160,000	116,942	117,876
User fees and sales of goods	1,760,428	2,057,900	1,891,253
	5,810,391	6,057,682	6,022,407
EXPENSES			
Administration	1,054,113	1,201,607	1,317,596
Bylaw enforcement	345,031	336,939	346,753
Cemeteries and crematoriums	56,000	56,000	56,000
Culture - libraries, museums, halls	255,007	295,406	290,581
Disaster services	62,110	48,833	52,374
Economic and agricultural development	79,703	62,217	90,629
Family and community support services	75,419	72,089	77,886
Fire	292,203	317,157	293,312
Land use planning, zoning and development	274,063	284,200	229,217
Legislative	280,462	243,433	374,503
Parks and recreation	799,116	944,334	913,574
Transportation services	788,786	1,430,151	1,383,690
Waste management	331,698	374,041	368,148
Wastewater treatment and disposal	889,699	1,138,227	1,673,287
Water supply and distribution	-	342,541	349,717
	5,583,410	7,147,175	7,817,267
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES			
BEFORE OTHER	226,981	(1,089,493)	(1,794,860)
OTHER			
Government transfers for capital (Schedule IV)	-	2,954,936	2,027,538
EXCESS OF REVENUE OVER EXPENSES	226,981	1,865,443	232,678
ACCUMULATED SURPLUS, BEGINNING OF YEAR	47,212,832	47,212,832	46,980,154
ACCUMULATED SURPLUS, END OF YEAR	47,439,813	49,078,275	47,212,832

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, 2018

	2018 Budget (Note 16)	2018	2017
EXCESS OF REVENUE OVER EXPENSES	226,981	1,865,443	232,678
Acquisition of tangible capital assets	(1,943,500)	(3,216,952)	(1,515,480)
Transfer to other organizations	-	103,167	-
Amortization of tangible capital assets	-	1,362,690	1,301,911
Loss on disposal of tangible capital assets (net)	-	3,081	-
Acquisition of inventory for consumption	-	(11,421)	(554)
Use of prepaid assets	-	10,017	25,870
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,716,519)	116,025	44,425
NET FINANCIAL ASSETS, BEGINNING OF YEAR	4,736,802	4,736,802	4,692,377
NET FINANCIAL ASSETS, END OF YEAR	3,020,283	4,852,827	4,736,802

The accompanying notes are an integral part of these financial statements

Town of Turner Valley
Consolidated Statement of Cash Flows
For the year ended December 31, 2018

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	1,865,443	232,678
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	1,362,690	1,301,911
Loss on disposal of tangible capital assets (net)	3,081	-
Contributions of tangible capital assets to other organizations	103,167	-
Non-cash charges to operations (net change):		
Increase in taxes and grants in lieu receivable	(34,639)	(72,274)
Increase in trade and other accounts receivable	(864,272)	379,227
Increase in inventory for consumption	(11,421)	(554)
Decrease in prepaid expenses	10,017	25,871
Decrease in accounts payable and accrued liabilities	(254,035)	(19,395)
Increase (decrease) in deposit liabilities	(58,349)	319,785
Decrease in deferred revenue	(981,907)	(808,564)
Cash provided by operating transactions	1,139,775	1,358,685
CAPITAL		
Acquisition of tangible capital assets (Schedule II)	(2,449,755)	(1,313,592)
INVESTING		
Increase in investments	802,345	(8,123,973)
FINANCING		
Repayment of long-term debt	(176,315)	(170,191)
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	(683,950)	(8,249,071)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	971,423	9,220,494
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	287,473	971,423

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, 2018

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
	(Note 12)	(Note 9)			
BALANCE, BEGINNING OF YEAR	1,095,209	5,676,697	40,440,926	47,212,832	46,980,154
Excess of revenue over expenses	1,865,443	-	-	1,865,443	232,678
Restricted funds used for operating (Note 12)	(193,233)	193,233	-	-	-
Restricted funds used for tangible capital assets (Note 12)	-	(69,518)	69,518	-	-
Current year funds used for tangible capital assets	(3,147,434)	-	3,147,434	-	-
Disposal of tangible capital assets	106,248	-	(106,248)	-	-
Annual amortization expense	1,362,690	-	(1,362,690)	-	-
Long-term debt repaid	(176,315)	-	176,315	-	-
Change in accumulated surplus	(182,601)	123,715	1,924,329	1,865,443	232,678
BALANCE, END OF YEAR	912,608	5,800,412	42,365,255	49,078,275	47,212,832

Town of Turner Valley
Schedule II - Consolidated Schedule of Tangible Capital Assets
For the year ended December 31, 2018

	Land & Land Improvements	Vehicles	Buildings	Engineered Structures	Machinery & Equipment	Assets Under Construction	2018	2017
COST:								
BALANCE, BEGINNING OF YEAR	580,281	1,852,003	8,545,030	43,707,144	3,327,050	6,782,976	64,794,484	63,279,004
Acquisition of tangible capital assets	8,158	-	-	349,460	256,653	2,602,681	3,216,952	1,515,480
Disposal of tangible capital assets	-	-	-	-	(62,990)	(103,167)	(166,157)	-
BALANCE, END OF YEAR	588,439	1,852,003	8,545,030	44,056,604	3,520,713	9,282,490	67,845,279	64,794,484
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	766,374	2,740,217	17,635,230	1,263,532	-	22,405,353	21,103,442
Annual amortization	-	131,482	168,485	803,826	258,897	-	1,362,690	1,301,911
Accumulated amortization on disposals	-	-	-	-	(59,909)	-	(59,909)	-
BALANCE, END OF YEAR	-	897,856	2,908,702	18,439,056	1,462,520	-	23,708,134	22,405,353
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	588,439	954,147	5,636,328	25,617,548	2,058,193	9,282,490	44,137,145	42,389,131
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	580,281	1,085,629	5,804,813	26,071,914	2,063,518	6,782,976	42,389,131	

During the year, tangible capital assets were acquired at an aggregate cost of \$3,216,952 (2017 - \$1,515,480), of which there was \$767,197 (2017 - \$201,888) in accounts payable at year end and the remaining \$2,449,755 (2017 - \$1,313,592) was acquired by cash.

Town of Turner Valley
Schedule III - Consolidated Schedule of Property and Other Taxes
For the year ended December 31, 2018

	2018 Budget	2018	2017
TAXATION			
Real property taxes	3,190,383	4,035,391	3,966,211
Linear property taxes	-	74,869	71,895
Government grants in lieu of property taxes	-	25,246	24,657
	3,190,383	4,135,506	4,062,763
REQUISITIONS			
Alberta School Foundation Fund	-	956,105	970,787
Christ the Redeemer School Division	-	65,132	-
Westwinds Communities	-	47,245	44,826
Designated Industrial Property	-	298	-
	-	1,068,780	1,015,613
NET MUNICIPAL PROPERTY TAXES	3,190,383	3,066,726	3,047,150

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, 2018

	2018 Budget	2018	2017
TRANSFERS FOR OPERATING			
Provincial government	122,258	89,819	243,360
Federal government	4,300	-	4,392
Other local governments	18,322	18,322	18,322
	144,880	108,141	266,074
TRANSFERS FOR CAPITAL			
Provincial government	-	2,859,809	1,904,290
Federal government	-	95,127	123,248
	-	2,954,936	2,027,538
TOTAL GOVERNMENT TRANSFERS	144,880	3,063,077	2,293,612

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, 2018

	2018 Budget	2018	2017
EXPENSES BY OBJECT			
Amortization of tangible capital assets	-	1,362,690	1,301,911
Bank charges and short-term interest	1,600	3,852	3,836
Contracted and general services	1,482,062	1,580,607	1,708,140
Interest on long-term debt	202,948	62,654	72,099
Loss on disposal of tangible capital assets (net)	-	3,081	-
Materials, goods and utilities	537,589	513,055	596,395
Other expenses	55,200	49,114	53,264
Provision for non-collectible trade and other receivables	-	62,305	-
Salaries, wages and benefits	2,514,584	2,690,264	2,706,683
Transfers to local boards and agencies	789,427	819,553	1,374,939
	5,583,410	7,147,175	7,817,267

Town of Turner Valley
Schedule VI - Consolidated Schedule of Segmented Disclosure
For the year ended December 31, 2018

	SRPUC	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Public Health Services	Total
REVENUE									
Net municipal taxes	-	3,066,726	-	1,228,697	-	110,459	1,517,975	-	3,066,726
Government transfers	149,775	6,431	136,908	575,968	3,825	126,461	889,780	56,171	3,063,077
User fees and sales of goods	318,527	210,948	-	-	-	-	243	-	2,057,900
Investment income	982	58,719	58,223	-	-	-	-	-	212,173
Penalties and costs of taxes	-	11,521	13,113	-	65,867	14,728	-	-	116,942
Fines, rentals, and licenses	-	240,544	13,438	74,672	250	60,991	658	-	105,229
Other revenue	18	-	-	-	-	-	-	-	390,571
	319,527	3,744,664	221,682	1,879,337	69,942	312,639	2,408,656	56,171	9,012,618
EXPENSES									
Bank charges and short-term interest	7	2,134	175,845	259,947	103,853	172,945	259,388	-	3,852
Contracted and general services	159,433	44,782	8,037	3,918	-	24,953	13,564	4,464	1,580,607
Interest on long-term debt	-	12,182	-	-	-	-	-	-	62,654
Loss on disposal of tangible capital assets (net)	3,081	72,391	224,061	7,688	102,875	64,956	207	3,081	513,055
Materials, goods and utilities	-	40,877	-	23,473	25,379	1,615	-	-	111,419
Other expenses	-	60,952	356,485	211,403	549,333	420,720	22,740	2,690,264	
Salaries, wages and benefits	92,798	789,182	-	20,581	-	122,392	575,902	100,678	819,553
Transfers to local boards and agencies	-	-	-	-	-	-	-	-	
	252,238	1,353,190	633,339	735,529	346,417	999,588	1,336,095	128,089	5,784,485
NET REVENUE,									
BEFORE AMORTIZATION	67,289	2,391,474	(411,657)	1,143,808	(276,475)	(686,949)	1,072,561	(71,918)	3,228,133
Amortization expense	90,303	91,850	69,590	694,622	-	240,152	176,173	-	1,362,680
NET REVENUE	(23,014)	2,299,624	(481,247)	449,186	(276,475)	(927,101)	896,388	(71,918)	1,865,443

Town of Turner Valley
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

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.

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 collectibility 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, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

d) Investments

Investments are recorded at amortized cost. 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 Management'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, 2018

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 or 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.

Town of Turner Valley
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

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

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.

v) **Prepaid expenses**

Prepaid expenses include pre-payments on goods and services which will be utilized in the following fiscal year.

j) **Segmented information**

The Town conducts its business through a number of reportable segments. These operating segments are established by senior management 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, 2018

2. CASH AND TEMPORARY INVESTMENTS

	2018	2017
Cash	287,473	971,423

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

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2018	2017
Current taxes and grants in place of taxes	288,076	243,286
Arrears	47,344	57,495
	335,420	300,781

4. TRADE AND OTHER RECEIVABLES

	2018	2017
Trade and other receivables	511,848	665,290
Local improvement levies	316,218	335,778
Goods and services tax	282,847	68,612
Capital grants receivable	943,247	120,208
	2,054,160	1,189,888

5. INVESTMENTS

	2018	2017
Short-term notes and deposits	9,749,739	10,552,084

Short-term notes and deposits have effective interest rates of 0.60% to 2.45% (2017 - 0.50% to 1.35%) and mature in less than one year.

The Town also administers \$61,110 (2017 - \$60,744) of short-term notes and deposits that represent funds held in trust.

6. DEFERRED REVENUE

	2018	2017
Disaster Recovery Program	-	545,880
Flood Recovery Erosion Control	3,095,953	3,887,958
Municipal Sustainability Initiative - Capital	535,888	233,192
Resident donations	26,450	26,450
Southern Alberta Flood Response Program	14,502	14,502
Other deferred revenue	208,569	155,287
	3,881,362	4,863,269

Town of Turner Valley
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7. LONG-TERM DEBT

	2018	2017
Self supported debentures	1,736,654	1,875,504
Self supported non-revolving term facility	35,236	72,701
	1,771,890	1,948,205

The current portion of the long-term debt amounts to \$177,572 (2017 - \$175,428).

Principal and interest repayments are as follows:

	Principal	Interest	Total
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
2023	124,089	44,127	168,216
Thereafter	1,086,751	243,030	1,329,781
	1,771,890	504,143	2,276,033

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.593% to 5.096% (2017 - 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 is \$62,654 (2017 - \$72,099).

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:

	2018	2017
Total debt limit	9,086,523	9,033,611
Total debt (Note 7)	(1,771,890)	(1,948,205)
Amount debt limit remaining	7,314,633	7,085,406
Debt servicing limit	1,514,421	1,505,602
Debt servicing	(238,656)	(231,768)
Service on debt limit remaining	1,275,765	1,273,834

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, 2018

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	2018	2017
Tangible capital assets (Schedule II)	44,137,145	42,389,131
Long-term debt issued for capital purposes (Note 7)	(1,771,890)	(1,948,205)
	42,365,255	40,440,926

10. ACCUMULATED SURPLUS

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

	2018	2017
Unrestricted surplus	912,608	1,095,209
Restricted surplus (Note 12)	5,800,412	5,676,697
Equity in tangible capital assets (Note 9)	42,365,255	40,440,926
	49,078,275	47,212,832

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	Net Change	Balance Closing
Operating			
Snow removal	75,252	(25,000)	50,252
Tax stabilization	101,329	232,677	334,006
Unallocated	709,091	(14,444)	694,647
Utility stabilization	240,279	-	240,279
	1,125,951	193,233	1,319,184
Capital			
Offsite levies	1,421,043	-	1,421,043
Capital reserves - asset replacement	2,602,058	34,553	2,636,611
Capital reserves - unallocated	527,645	(104,071)	423,574
	4,550,746	(69,518)	4,481,228
	5,676,697	123,715	5,800,412

Town of Turner Valley
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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 ¹	Benefits & allowances ²	2018	2017
Mayor:				
Rowntree, (12 months) (2017 - 2 months)	17,645	5,478	23,123	5,309
Councillors:				
Crane, (12 months) (2017 - 12 months)	15,880	3,346	19,226	18,226
Waring, (12 months) (2017 - 12 months)	14,845	5,416	20,261	18,285
Hamilton, (12 months) (2017 - 2 months)	11,760	5,478	17,238	3,746
Gordon, (12 months) (2017 - 2 months)	12,454	-	12,454	4,096
Raab, (12 months) (2017 - 2 months)	12,588	-	12,588	3,996
Holladay, (12 months) (2017 - 2 months)	12,467	5,478	17,945	3,946
Administrator (8 months) (2017 - 12 months)	87,141	2,736	89,877	143,353
Designated officers (3 positions) (2017 - 4)	182,612	8,321	190,933	284,119

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.

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
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For the year ended December 31, 2018

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.

	Budget
Approved budget operating surplus	165,193
Operating draw from reserve	(38,212)
Operating transfer to reserve	100,000
Excess (deficiency) of revenue over expenses before other (Statement of Operations)	226,981
Acquisition of tangible capital assets	(1,943,500)
Decrease in net financial assets (Statement of Change in Net Financial Assets)	(1,716,519)

17. CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2018, the Town adopted the recommendations relating to the following Sections, as set out in the CPA Canada Public Sector Accounting Standards Handbook:

- PS 2200 *Related Party Disclosures*
- PS 3210 *Assets*
- PS 3320 *Contingent Assets*
- PS 3380 *Contractual Rights*
- PS 3420 *Inter-entity Transactions*

Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statement of adopting the new Sections.

