

**TOWN OF TURNER VALLEY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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.

June 1, 2020

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 consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, change in net financial assets, cash flows, and the related schedules I to VI 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, 2019, 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
June 1, 2020

MNP LLP
Chartered Professional Accountants

MNP

Town of Turner Valley
Consolidated Statement of Financial Position
As at December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and temporary investments (Note 4)	173,636	287,473
Receivables		
Taxes and grants in place of taxes receivable (Note 5)	301,180	335,420
Trade and other receivables (Note 6)	2,365,210	2,054,160
Investments (Note 7)	8,450,316	9,749,739
	11,290,342	12,426,792
LIABILITIES		
Accounts payable and accrued liabilities	593,744	1,133,093
Deposit liabilities	975,045	787,620
Deferred revenue (Note 8)	3,186,289	3,881,362
Long-term debt (Note 9)	1,594,268	1,771,890
	6,349,346	7,573,965
NET FINANCIAL ASSETS	4,940,996	4,852,827
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule II)	43,990,270	44,137,145
Land held for resale inventory	48,414	48,414
Inventory for consumption	24,037	14,107
Prepaid expenses	77,742	25,782
	44,140,463	44,225,448
ACCUMULATED SURPLUS (Schedule I, Note 12)	49,081,459	49,078,275

Contingencies - Note 16

Subsequent event - Note 18

Approved on behalf of Council

Mayor

Councillor

Town of Turner Valley
Consolidated Statement of Operations
For the year ended December 31, 2019

	2019 Budget (Note 17)	2019	2018
REVENUE			
Net municipal taxes (Schedule III)	3,039,527	3,049,249	3,066,726
User fees and sales of goods	1,799,528	2,052,520	2,057,900
Government transfers for operating (Schedule IV)	170,880	180,327	108,141
Investment income	200,000	189,830	212,173
Penalties and costs of taxes	121,500	142,359	116,942
Fines, rentals, licenses and permits	102,360	85,985	105,229
Franchise and concession contracts	240,058	228,247	232,233
Other revenue	86,907	129,319	158,338
	5,760,760	6,057,836	6,057,682
EXPENSES			
Administration	900,773	1,046,451	1,198,526
Bylaw enforcement	305,156	354,427	336,939
Cemeteries and crematoriums	56,000	56,000	56,000
Culture - libraries, museums, halls	187,536	295,815	295,406
Disaster services	53,825	62,950	48,833
Economic and agricultural development	95,706	139,429	62,217
Family and community support services	69,230	62,085	72,089
Fire	293,096	334,706	317,157
Land use planning, zoning and development	331,313	363,240	284,200
Legislative	262,710	201,229	243,433
Parks and recreation	829,864	990,569	947,415
Transportation services	849,938	1,736,140	1,430,151
Waste management	260,758	349,231	374,041
Wastewater treatment and disposal	1,048,510	1,151,470	1,138,227
Water supply and distribution	-	382,779	342,541
	5,544,415	7,526,521	7,147,175
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES			
BEFORE OTHER	216,345	(1,468,685)	(1,089,493)
OTHER			
Government transfers for capital (Schedule IV)	-	1,471,869	2,954,936
EXCESS OF REVENUE OVER EXPENSES	216,345	3,184	1,865,443
ACCUMULATED SURPLUS, BEGINNING OF YEAR	49,078,275	49,078,275	47,212,832
ACCUMULATED SURPLUS, END OF YEAR	49,294,620	49,081,459	49,078,275

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, 2019

	2019 Budget (Note 17)	2019	2018
EXCESS OF REVENUE OVER EXPENSES	216,345	3,184	1,865,443
Acquisition of tangible capital assets	(417,000)	(1,603,243)	(3,216,952)
Transfer of tangible capital assets to other organizations	-	73,138	103,167
Amortization of tangible capital assets	-	1,657,026	1,362,690
Loss on disposal of tangible capital assets	-	19,954	3,081
Acquisition of inventory for consumption	-	(9,930)	(11,421)
(Acquisition) use of prepaid expenses	-	(51,960)	10,017
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(200,655)	88,169	116,025
NET FINANCIAL ASSETS, BEGINNING OF YEAR	4,852,827	4,852,827	4,736,802
NET FINANCIAL ASSETS, END OF YEAR	4,652,172	4,940,996	4,852,827

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, 2019

	2019	2018
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	3,184	1,865,443
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	1,657,026	1,362,690
Loss on disposal of tangible capital assets	19,954	3,081
Contributions of tangible capital assets to other organizations	73,138	103,167
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	34,240	(34,639)
Increase in trade and other accounts receivable	(311,050)	(864,272)
Increase in inventory for consumption	(9,930)	(11,421)
(Accrual) decrease in prepaid expenses	(51,960)	10,017
Decrease in accounts payable and accrued liabilities	62,881	(254,035)
Increase (decrease) in deposit liabilities	187,425	(58,349)
Decrease in deferred revenue	(695,073)	(981,907)
 Cash provided by operating transactions	 969,835	 1,139,775
CAPITAL		
Acquisition of tangible capital assets (Schedule II)	(2,205,473)	(2,449,755)
INVESTING		
Decrease in investments	1,299,423	802,345
FINANCING		
Repayment of long-term debt	(177,622)	(176,315)
 CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	 (113,837)	 (683,950)
 CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	 287,473	 971,423
 CASH AND TEMPORARY INVESTMENTS, END OF YEAR	 173,636	 287,473

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, 2019

	Unrestricted Surplus (Note 14)	Restricted Surplus (Note 11)	Equity in Tangible Capital Assets	2019	2018
BALANCE, BEGINNING OF YEAR	912,608	5,800,412	42,365,255	49,078,275	47,212,832
Excess of revenue over expenses	3,184	-	-	3,184	1,865,443
Transfers from operating reserve (Note 14)	32,177	(32,177)	-	-	-
Transfers to capital reserves (Note 14)	(287,881)	287,881	-	-	-
Current year funds used for tangible capital assets	(1,603,243)	-	1,603,243	-	-
Disposal of tangible capital assets	93,092	-	(93,092)	-	-
Annual amortization expense	1,657,026	-	(1,657,026)	-	-
Long-term debt repaid	(177,622)	-	177,622	-	-
Change in accumulated surplus	(283,267)	255,704	30,747	3,184	1,865,443
BALANCE, END OF YEAR	629,341	6,056,116	42,396,002	49,081,459	49,078,275

Town of Turner Valley
Schedule II - Consolidated Schedule of Tangible Capital Assets
For the year ended December 31, 2019

	Land & Land Improvements	Vehicles	Buildings	Engineered Structures	Machinery & Equipment	Assets Under Construction	2019	2018
COST:								
BALANCE, BEGINNING 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
Acquisition of tangible capital assets	34,158	-	172,080	210,430	321,149	865,426	1,603,243	3,216,952
Transfers of assets	-	2,499	239,486	6,853,481	61,452	(7,156,918)	-	-
Disposal of tangible capital assets	-	(53,028)	-	-	(209,849)	-	(262,877)	(166,157)
BALANCE, END OF YEAR	622,597	1,801,474	8,956,596	51,120,515	3,693,465	2,990,998	69,185,645	67,845,279
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	897,856	2,908,702	18,439,056	1,462,520	-	23,708,134	22,405,353
Annual amortization	-	135,637	179,344	1,051,849	290,196	-	1,657,026	1,362,690
Accumulated amortization on disposals	-	(67,167)	-	(399)	(102,219)	-	(169,785)	(59,909)
BALANCE, END OF YEAR	-	966,326	3,088,046	19,490,506	1,650,497	-	25,195,375	23,708,134
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	622,597	835,148	5,868,550	31,630,009	2,042,968	2,990,998	43,990,270	44,137,145
2018 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	

During the year, tangible capital assets were acquired at an aggregate cost of \$1,603,243 (2018 - \$3,216,9552), of which \$164,967 (2018 - \$767,197) is included in accounts payable at year end, consequently, \$2,205,473 (2018 - \$2,449,755) was paid in cash to acquire tangible capital assets during the year.

During the year, assets with a net book value of \$93,092 (2018 - \$106,248) were disposed of for nil (2018 - nil) proceeds. \$73,318 (2018 - \$103,167) was transferred at cost to other organizations resulting in a loss on disposal of tangible capital assets of \$19,774 (2018 - \$3,081).

Town of Turner Valley
Schedule III - Consolidated Schedule of Property and Other Taxes
For the year ended December 31, 2019

	2019 Budget	2019	2018
TAXATION			
Real property taxes	4,057,311	4,051,810	4,035,391
Linear property taxes	74,869	74,782	74,869
Government grants in lieu of property taxes	-	22,372	25,246
	4,132,180	4,148,964	4,135,506
REQUISITIONS			
Alberta School Foundation Fund	974,723	983,604	956,105
Christ the Redeemer School Division	69,104	66,987	65,132
Westwinds Communities	48,826	48,826	47,245
Designated Industrial Property	-	298	298
	1,092,653	1,099,715	1,068,780
NET MUNICIPAL PROPERTY TAXES	3,039,527	3,049,249	3,066,726

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, 2019

	2019 Budget	2019	2018
TRANSFERS FOR OPERATING			
Provincial government	148,258	162,005	89,819
Federal government	4,300	-	-
Other local governments	18,322	18,322	18,322
	170,880	180,327	108,141
TRANSFERS FOR CAPITAL			
Provincial government	-	1,471,869	2,859,809
Federal government	-	-	95,127
	-	1,471,869	2,954,936
TOTAL GOVERNMENT TRANSFERS	170,880	1,652,196	3,063,077

Town of Turner Valley
Schedule V - Consolidated Schedule of Expenses by Object
For the year ended December 31, 2019

	2019 Budget	2019	2018
EXPENSES BY OBJECT			
Amortization of tangible capital assets	-	1,657,026	1,362,690
Bank charges and short-term interest	3,150	4,777	3,852
Contracted and general services	1,493,095	1,648,740	1,580,607
Interest on long-term debt	62,716	60,191	62,654
Loss on disposal of tangible capital assets (net)	-	19,954	3,081
Materials, goods and utilities	548,385	599,521	513,055
Other expenses	47,850	60,837	111,419
Salaries, wages and benefits	2,413,274	2,654,721	2,690,264
Transfers to local boards and agencies	975,945	820,754	819,553
	5,544,415	7,526,521	7,147,175

Town of Turner Valley
Schedule VI - Consolidated Schedule of Segmented Disclosure
For the year ended December 31, 2019

	SRRUC	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Public Health Services	Total
REVENUE									
Net municipal taxes		3,049,249	-						3,049,249
User fees and sales of goods	180,210	5,455	132,665	588,759	3,675	116,548	1,025,208	-	2,052,520
Government transfer	-	61,161	-	773,735	83,516	41,684	635,929	56,171	1,652,196
Investment income	1,933	187,911	-	-	-	-	(14)	-	189,830
Penalties and costs of taxes	-	64,289	78,070	-	-	-	-	-	142,359
Fines, rentals, and licenses	-	14,473	11,795	-	43,612	16,105	-	-	85,985
Franchise, concession contracts and other revenue	15,184	251,095	15,098	738	17,651	33,766	23,914	120	357,566
	197,327	3,633,633	237,628	1,363,232	148,454	208,103	1,685,037	56,291	7,529,705
EXPENSES									
Bank charges and short-term interest	62	3,467	-	-	-	1,248	-	-	4,777
Contracted and general services	178,786	342,104	186,980	251,891	127,654	154,080	403,378	3,867	1,648,740
Interest on long-term debt	-	12,173	7,921	2,746	-	25,021	12,330	-	60,191
(Gain) loss on disposal of tangible capital assets	-	21,845	-	(586)	-	(1,305)	-	-	19,954
Materials, goods and utilities	-	30,828	70,432	284,366	38,742	120,927	53,680	546	599,521
Other expenses	-	22,449	-	-	16,057	22,331	-	-	60,837
Salaries, wages and benefits	111,367	727,466	383,327	261,428	320,216	563,886	263,646	23,385	2,654,721
Transfers to (from) local boards and agencies	-	(5,000)	21,407	-	-	129,174	584,886	90,287	820,754
	290,215	1,155,332	670,067	799,845	502,669	1,015,362	1,317,920	118,085	5,869,495
NET REVENUE,									
BEFORE AMORTIZATION	(92,888)	2,478,301	(432,439)	563,387	(354,215)	(807,259)	367,117	(61,794)	1,660,210
Amortization expense	92,564	92,348	82,016	936,295	-	271,022	182,781	-	1,657,026
NET REVENUE	(185,452)	2,385,953	(514,455)	(372,908)	(354,215)	(1,078,281)	184,336	(61,794)	3,184

Town of Turner Valley
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

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, 2019

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, 2019

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, 2019

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).

2. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2019, the Town adopted the recommendations relating to the following Section, as set out in the CPA Canada Public Sector Accounting Standards Handbook:

- PS 3430 *Restructuring 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 Section.

Town of Turner Valley
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

3. FUTURE ACCOUNTING PRONOUNCEMENTS

The Public Sector Accounting Board recently announced the following accounting pronouncements:

a) Financial Instruments (PS 3450)

This accounting pronouncement establishes standards on how to account for and report all types of financial instruments including derivatives. Financial instruments include primary instruments and derivative instruments. It is effective for fiscal years beginning on or after April 1, 2021 for governments, with early adoption encouraged. The section must be adopted at the same time as the new pronouncements for financial statement presentation, foreign currency translation, and portfolio investments.

b) Financial Statement Presentation (PS 1201)

This accounting pronouncement establishes standards on how to present government financial statements. It is effective for fiscal years beginning on or after April 1, 2021 for governments, with early adoption encouraged. This section must be adopted at the same time as financial instruments.

c) Foreign Currency Translation (PS 2601)

This accounting pronouncement establishes standards on how to account for and report transactions that are denominated in a foreign currency and government financial statements. It is effective for fiscal years beginning on or after April 1, 2021 for governments, with early adoption encouraged. This section must be adopted at the same time as financial instruments.

d) Portfolio Investments (PS 3041)

This accounting pronouncement establishes standards on how to define, account for, and report portfolio investments in government financial statements. It is effective for fiscal years beginning on or after April 1, 2021 for governments, with early adoption encouraged. This section must be adopted at the same time as financial instruments.

e) Asset Retirement Obligations (PS 3280)

In August 2018, the Public Sector Accounting Board issued this accounting standard that addresses the reporting of legal obligations associated with the retirement of tangible capital assets. This new standard is effective for fiscal years beginning on or after April 1, 2021 with early adoption permitted.

f) Revenue (PS 3400)

This section establishes standards on how to account for and report revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations, referred to as "exchange transactions", and transactions that do not have performance obligations, referred to as "non-exchange transactions". This new standard is effective for years beginning on or after April 1, 2022 with early adoption permitted.

Management is assessing the impact of the adoption of these new standards which is not known or reasonably estimable at this time.

Town of Turner Valley
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

4. CASH AND TEMPORARY INVESTMENTS

	2019	2018
Cash	173,636	287,473

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

5. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2019	2018
Current taxes and grants in place of taxes	248,548	288,076
Arrears	52,632	47,344
	301,180	335,420

6. TRADE AND OTHER RECEIVABLES

	2019	2018
Trade and other receivables	431,840	511,848
Local improvement levies	289,376	316,218
Goods and services tax	61,379	282,847
Capital grants receivable	1,582,615	943,247
	2,365,210	2,054,160

7. INVESTMENTS

	2019	2018
Short-term notes and deposits	8,450,316	9,749,739

Short-term notes and deposits have effective interest rates of 1.00% to 2.35% (2018 - 0.60% to 2.45%) and mature in less than one year.

The Town also administers \$61,478 (2018 - \$61,110) of short-term notes and deposits that represent funds held in trust.

8. DEFERRED REVENUE

	2019	2018
Flood Recovery Erosion Control	2,684,705	3,095,953
Municipal Sustainability Initiative - Capital	293,105	535,888
Resident donations	26,277	26,450
Southern Alberta Flood Response Program	-	14,502
Other deferred revenue	182,202	208,569
	3,186,289	3,881,362

Town of Turner Valley
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

9. LONG-TERM DEBT

	2019	2018
Self supported debentures	1,594,268	1,736,654
Self supported non-revolving term facility	-	35,236
	1,594,268	1,771,890

The current portion of the long-term debt amounts to \$146,830 (2018 - \$177,572).

Principal and interest repayments are as follows:

	Principal	Interest	Total
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
2024	114,707	40,145	154,852
Thereafter	971,994	202,885	1,174,879
	1,594,268	443,059	2,037,327

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.497% to 4.950% (2018 - 1.497% to 4.950%) per annum, before Provincial subsidy, and matures in periods from 2020 through 2035. The average annual interest rate is 3.387% (2018 - 3.387%). 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 \$60,191 (2018 - \$62,654).

10. 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:

	2019	2018
Total debt limit	9,086,754	9,086,523
Total debt (Note 9)	(1,594,268)	(1,771,890)
Amount debt limit remaining	7,492,486	7,314,633
Debt servicing limit	1,514,459	1,514,421
Debt servicing	(202,948)	(238,656)
Service on debt limit remaining	1,311,511	1,275,765

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, 2019

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2019	2018
Tangible capital assets (Schedule II)	43,990,270	44,137,145
Long-term debt issued for capital purposes (Note 9)	(1,594,268)	(1,771,890)
	42,396,002	42,365,255

12. ACCUMULATED SURPLUS

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

	2019	2018
Unrestricted surplus	629,341	912,608
Restricted surplus (Note 14)	6,056,116	5,800,412
Equity in tangible capital assets (Note 11)	42,396,002	42,365,255
	49,081,459	49,078,275

13. 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).

14. RESERVES

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

	Balance Beginning	Net Change	Balance Closing
Operating			
Snow removal	50,252	-	50,252
Tax stabilization	334,007	-	334,007
Unallocated	694,647	(32,177)	662,470
Utility stabilization	240,279	-	240,279
	1,319,185	(32,177)	1,287,008
Capital			
Offsite levies	1,421,043	53,568	1,474,611
Capital reserves - asset replacement	2,636,611	153,623	2,790,234
Capital reserves - unallocated	423,573	80,690	504,263
	4,481,227	287,881	4,769,108
	5,800,412	255,704	6,056,116

Town of Turner Valley
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For the year ended December 31, 2019

15. 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	2019	2018
Mayor	25,643	4,042	29,685	23,123
Councillors:				
Councilor 1	12,444	-	12,444	19,246
Councilor 2	14,753	5,682	20,435	20,261
Councilor 3	10,634	5,751	16,385	17,238
Councilor 4	17,274	-	17,274	12,454
Councilor 5	17,524	-	17,524	12,588
Councilor 6	13,184	5,478	18,662	17,945
Administrator (12 months) (2018 - 8 months)	136,435	8,975	145,410	89,877
Designated officers (3 positions) (2018 - 3)	187,666	8,839	196,505	190,933

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, mileage allowances and any other direct cash remuneration.
2. Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, and travel allowances.

16. 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.

Town of Turner Valley
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

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 consolidated financial statements. Adjustments represent required changes for items that do not meet the criteria for recognition within the financial statements prepared in accordance with public sector accounting standards.

	Approved Budget	Adjustment	Financial Statements
Approved operating revenue budget	5,786,971	-	5,786,971
Operating draw from reserves	-	(26,211)	(26,211)
Operating revenue budget on the Statement of Operations	5,786,971	(26,211)	5,760,760
Approved operating expense budget	5,786,971	-	5,786,971
Repayment of long-term debt	-	(142,556)	(142,556)
Operating transfer to reserves	-	(100,000)	(100,000)
Operating expense budget on the Statement of Operations	5,786,971	(242,556)	5,544,415
Excess of Revenue over Expenses on the Statement of Operations	-	216,345	216,345
Acquisition of tangible capital assets	(417,000)	-	(417,000)
Decrease in Net Financial Assets on the Statement of Change in Net Financial Assets	(417,000)	216,345	(200,655)

18. SUBSEQUENT EVENT

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses and governments through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Town as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.