

**TOWN OF TURNER VALLEY  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

## **Management's Responsibility**

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

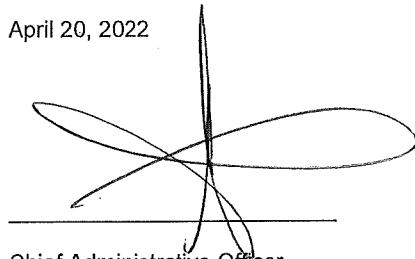
Management is responsible for the preparation, accuracy, objectivity, integrity, and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required. Management believes that the consolidated financial statements present fairly the Town's financial position as at December 31, 2021 and the results of its operations for the year then ended.

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 20, 2022

A handwritten signature in black ink, appearing to be a stylized 'M' or 'T' shape, is positioned above a horizontal line. Below this line, the text 'Chief Administrative Officer' is printed in a standard font.

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, 2021, 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, 2021, the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *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.

**Report on Other Legal and Regulatory Requirements**

- Debt Limit Regulation:  
In accordance with Alberta Regulation 255/2000, we confirm that the Town is in compliance with the Debt Limit Regulation. A detailed account of the Town's debt limit can be found in note 9.
- Supplementary Accounting Principles and Standards Regulation:  
In accordance with Alberta Regulation 313/2000, we confirm that the Town is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 14.

Calgary, Alberta  
April 20, 2022

Chartered Professional Accountants

**Town of Turner Valley**  
**Consolidated Statement of Financial Position**  
As at December 31, 2021

	2021	2020
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	2,607,300	2,796,757
Receivables		
Taxes and grants in place of taxes receivable (Note 3)	247,676	318,992
Trade and other receivables (Note 4)	2,695,493	2,480,117
Investments (Note 5)	4,344,899	5,748,511
	9,895,368	11,344,377
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	614,184	288,814
Deposit liabilities	760,706	740,715
Deferred revenue (Note 6)	3,470,249	3,252,801
Employee benefit obligations (Note 7)	82,837	90,102
Long-term debt (Note 8)	1,330,989	1,447,438
	6,258,965	5,819,870
<b>NET FINANCIAL ASSETS</b>	3,636,403	5,524,507
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule II)	44,679,528	42,650,405
Land held for resale inventory	48,414	48,414
Inventory for consumption	7,264	2,362
Prepaid expenses	85,410	32,525
	44,820,616	42,733,706
<b>ACCUMULATED SURPLUS</b> (Schedule I, Note 11)	48,457,019	48,258,213

Contingencies - Note 15

Approved on behalf of Council

  
Mayor

  
Councillor

**Town of Turner Valley**  
**Consolidated Statement of Operations**  
For the year ended December 31, 2021

	2021 Budget (Note 18)	2021	2020
<b>REVENUE</b>			
Net municipal taxes (Schedule III)	2,999,553	<b>2,963,002</b>	2,995,103
User fees and sales of goods	2,082,828	<b>2,017,683</b>	1,928,153
Government transfers for operating (Schedule IV)	126,221	<b>219,707</b>	332,628
Investment income	90,000	<b>124,534</b>	156,291
Penalties and costs of taxes	130,300	<b>113,101</b>	108,902
Fines, rentals, licenses and permits	70,160	<b>90,709</b>	69,332
Franchise, concession contracts and other revenue	510,013	<b>513,674</b>	438,221
Gain on disposal of tangible capital assets	-	<b>9,608</b>	-
	<b>6,009,075</b>	<b>6,052,018</b>	6,028,630
<b>EXPENSES</b>			
Administration	1,080,743	<b>1,316,652</b>	1,236,640
Bylaw enforcement	330,433	<b>307,564</b>	328,530
Cemeteries and crematoriums	56,000	<b>36,333</b>	56,000
Culture - libraries, museums, halls	214,684	<b>255,601</b>	259,832
Disaster services	62,856	<b>104,953</b>	94,024
Economic and agricultural development	141,087	<b>46,362</b>	73,777
Family and community support services	67,615	<b>59,569</b>	59,192
Fire	313,438	<b>368,272</b>	301,641
Land use planning, zoning and development	265,733	<b>349,900</b>	397,082
Legislative	282,620	<b>332,773</b>	201,926
Parks and recreation	625,098	<b>792,340</b>	674,695
Transportation services	772,562	<b>1,751,457</b>	1,788,490
Waste management	281,368	<b>517,282</b>	318,234
Wastewater treatment and disposal	1,087,396	<b>1,471,277</b>	1,047,793
Sheep River Regional Utility Corporation ("SRRUC")	394,947	<b>536,026</b>	404,364
	<b>5,976,580</b>	<b>8,246,361</b>	7,242,220
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>			
<b>BEFORE OTHER</b>	<b>32,495</b>	<b>(2,194,343)</b>	(1,213,590)
<b>OTHER</b>			
Government transfers for capital (Schedule IV)	-	<b>2,393,149</b>	390,344
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>32,495</b>	<b>198,806</b>	(823,246)
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>48,258,213</b>	<b>48,258,213</b>	49,081,459
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>48,290,708</b>	<b>48,457,019</b>	48,258,213

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

**Town of Turner Valley**  
**Consolidated Statement of Change in Net Financial Assets**  
For the year ended December 31, 2021

	2021 Budget (Note 18)	2021	2020
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	32,495	198,806	(823,246)
Acquisition of tangible capital assets	(4,511,000)	(3,923,542)	(270,607)
Transfer of tangible capital assets to other organizations	-	269,887	-
Proceeds on disposal of tangible capital assets	-	54,642	-
Amortization of tangible capital assets	92,564	1,579,498	1,597,759
Loss on disposal of tangible capital assets	-	(9,608)	12,713
(Acquisition) use of inventory for consumption	-	(4,902)	21,675
(Acquisition) use of prepaid expenses	-	(52,885)	45,217
<b>(DECREASE) INCREASE IN NET FINANCIAL ASSETS</b>	<b>(4,385,941)</b>	<b>(1,888,104)</b>	<b>583,511</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>5,524,507</b>	<b>5,524,507</b>	<b>4,940,996</b>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>1,138,566</b>	<b>3,636,403</b>	<b>5,524,507</b>

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

**Town of Turner Valley**  
**Consolidated Statement of Cash Flows**  
For the year ended December 31, 2021

	2021	2020
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (deficiency) of revenue over expenses	198,806	(823,246)
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	1,579,498	1,597,759
(Gain) loss on disposal of tangible capital assets	(9,608)	12,713
Transfer of tangible capital assets to other organizations	269,887	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	71,316	(17,812)
Increase in trade and other accounts receivable	(215,376)	(114,907)
Decrease (Increase) in inventory for consumption	(4,902)	21,675
Decrease (increase) in prepaid expenses	(52,885)	45,217
Increase in accounts payable and accrued liabilities	320,982	529,953
Increase (decrease) in deposit liabilities	19,991	(234,330)
Increase in deferred revenue	217,448	66,512
Cash provided by operating transactions	<b>2,395,157</b>	<b>1,083,534</b>
<b>CAPITAL</b>		
Acquisition of tangible capital assets (Schedule II)	(3,926,419)	(1,019,865)
Proceeds on disposal of tangible capital assets	54,642	4,477
Cash provided by (applied to) capital transactions	<b>(3,871,777)</b>	<b>(1,015,388)</b>
<b>INVESTING</b>		
Decrease in investments	1,403,612	2,701,805
<b>FINANCING</b>		
Repayment of long-term debt	(116,449)	(146,830)
<b>CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR</b>	<b>(189,457)</b>	<b>2,623,121</b>
<b>CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR</b>	<b>2,796,757</b>	<b>173,636</b>
<b>CASH AND TEMPORARY INVESTMENTS, END OF YEAR</b>	<b>2,607,300</b>	<b>2,796,757</b>

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

**Town of Turner Valley**  
**Schedule I - Consolidated Schedule of Changes in Accumulated Surplus**  
For the year ended December 31, 2021

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
	(Note 13)	(Note 10)			
<b>BALANCE, BEGINNING OF YEAR</b>	<b>889,444</b>	<b>6,165,802</b>	<b>41,202,967</b>	<b>48,258,213</b>	<b>49,081,459</b>
Excess (deficiency) of revenue over expenses	198,806	-	-	198,806	(823,246)
Transfers from operating reserve (Note 13)	368,217	(368,217)	-	-	-
Transfers from capital reserves (Note 13)	1,622,941	(1,622,941)	-	-	-
Acquisition of tangible capital assets	(3,923,542)	-	3,923,542	-	-
Disposal of tangible capital assets	45,034	-	(45,034)	-	-
Transfer to other organizations	269,887	-	(269,887)	-	-
Annual amortization expense	1,579,498	-	(1,579,498)	-	-
Long-term debt repaid	(116,449)	-	116,449	-	-
Change in accumulated surplus	44,392	(1,991,158)	2,145,572	198,806	(823,246)
<b>BALANCE, END OF YEAR</b>	<b>933,836</b>	<b>4,174,644</b>	<b>43,348,539</b>	<b>48,457,019</b>	<b>48,258,213</b>

**Town of Turner Valley**  
**Schedule II - Consolidated Schedule of Tangible Capital Assets**  
For the year ended December 31, 2021

	Land & Land Improvements	Vehicles	Buildings	Engineered Structures	Machinery & Equipment	Assets Under Construction	2021	2020
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	719,819	1,776,025	8,956,596	51,566,878	3,733,698	2,665,073	69,418,089	69,185,645
Acquisition of tangible capital assets	42,476	20,718	-	3,602,026	193,327	64,995	3,923,542	270,607
Transfers of assets	-	-	-	311,063	(192,769)	(118,294)	-	-
Disposal of tangible capital assets	-	(243,350)	-	-	-	-	(243,350)	(38,163)
Transfer to other organizations	-	-	-	-	-	(269,887)	(269,887)	-
BALANCE, END OF YEAR	762,295	1,553,393	8,956,596	55,479,967	3,734,256	2,341,887	72,828,394	69,418,089
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	1,075,358	3,267,391	20,517,512	1,907,423	-	26,767,684	25,195,375
Annual amortization	-	119,188	92,265	1,158,597	209,448	-	1,579,498	1,597,759
Accumulated amortization on disposals	-	(198,316)	-	-	-	-	(198,316)	(25,450)
BALANCE, END OF YEAR	-	996,230	3,359,656	21,676,109	2,116,871	-	28,148,866	26,767,684
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>762,295</b>	<b>557,163</b>	<b>5,596,940</b>	<b>33,803,858</b>	<b>1,617,385</b>	<b>2,341,887</b>	<b>44,679,528</b>	<b>42,650,405</b>
<b>2020 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>719,819</b>	<b>700,667</b>	<b>5,689,205</b>	<b>31,049,366</b>	<b>1,826,275</b>	<b>2,665,073</b>	<b>42,650,405</b>	

During the year, tangible capital assets were acquired at an aggregate cost of \$3,923,542 (2020 - \$270,607), of which \$15,062 (2020 - \$17,939) is included in accounts payable at year end, consequently, \$3,926,419 (2020 - \$1,019,865) was paid in cash to acquire tangible capital assets during the year.

During the year, assets with a net book value of \$45,034 (2020 - \$17,190) were disposed of for proceeds of \$54,642 (2020 - \$4,477), resulting in a gain on disposal of tangible capital assets of \$9,608 (2020 - loss of \$12,713).

**Town of Turner Valley**  
**Schedule III - Consolidated Schedule of Property and Other Taxes**  
For the year ended December 31, 2021

	2021 Budget	2021	2020
<b>TAXATION</b>			
Real property taxes	2,911,607	4,017,251	4,001,244
Linear property taxes	87,946	76,226	72,683
Government grants in lieu of property taxes	-	26,049	25,982
	2,999,553	4,119,526	4,099,909
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	-	980,076	988,623
Christ the Redeemer School Division	-	72,830	67,257
Westwinds Communities	-	48,628	48,628
Designated Industrial Property	-	-	298
Municipal Police	54,632	54,990	-
	-	1,156,524	1,104,806
<b>NET MUNICIPAL PROPERTY TAXES</b>	<b>2,999,553</b>	<b>2,963,002</b>	<b>2,995,103</b>

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

**Town of Turner Valley**  
**Schedule IV - Consolidated Schedule of Government Transfers**  
For the year ended December 31, 2021

	2021 Budget	2021	2020
<b>TRANSFERS FOR OPERATING</b>			
Provincial government	107,899	201,385	304,196
Federal government	-	-	10,110
Other local governments	18,322	18,322	18,322
	126,221	219,707	332,628
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	-	2,363,609	375,618
Federal government	-	29,540	14,726
	-	2,393,149	390,344
<b>TOTAL GOVERNMENT TRANSFERS</b>	<b>126,221</b>	<b>2,612,856</b>	<b>722,972</b>

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

**Town of Turner Valley**  
**Schedule V - Consolidated Schedule of Expenses by Object**  
For the year ended December 31, 2021

	2021 Budget	2021	2020
<b>EXPENSES BY OBJECT</b>			
Amortization of tangible capital assets	92,564	1,579,498	1,597,759
Bank charges and short-term interest	3,750	3,971	4,383
Contracted and general services	1,495,300	1,945,080	1,490,063
Interest on long-term debt	168,216	50,853	55,174
Loss on disposal of tangible capital assets (net)	-	-	12,713
Materials, goods and utilities	497,858	742,501	524,290
Other expenses	44,600	189,529	42,784
Salaries, wages and benefits	2,649,421	2,343,127	2,580,628
Transfers to local boards and agencies	1,024,871	1,000,272	934,426
Transfers to other organizations	-	391,530	-
	5,976,580	8,246,361	7,242,220

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

**Town of Turner Valley**  
**Schedule VI - Consolidated Schedule of Segmented Disclosure**  
For the year ended December 31, 2021

	SRRUC	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Public Health Services	Total
<b>REVENUE</b>									
Net municipal taxes	-	2,963,002	-	-	-	-	-	-	2,963,002
User fees and sales of goods	141,483	8,805	181,345	675,488	7,300	120,397	882,865	-	2,017,683
Government transfer	-	145,225	20,718	2,322,630	-	18,322	49,801	56,160	2,612,856
Investment income	45	117,504	-	6,985	-	-	-	-	124,534
Penalties and costs of taxes	-	55,803	57,298	-	-	-	-	-	113,101
Fines, rentals, and licenses	-	9,035	11,295	-	53,862	16,517	-	-	90,709
Gain on disposal of assets	-	-	-	-	-	-	9,608	-	9,608
Franchise, concession contracts and other revenue	142,782	266,357	60,583	24,062	820	19,070	-	-	513,874
	284,310	3,565,731	331,239	3,029,165	61,982	174,306	942,274	56,160	8,445,167
<b>EXPENSES</b>									
Bank charges and short-term interest	54	3,496	-	-	-	421	-	-	3,971
Contracted and general services	333,760	476,711	199,034	187,479	222,538	269,767	253,746	2,045	1,945,080
Interest on long-term debt	-	11,083	6,666	1,944	-	21,102	10,058	-	50,853
(Gain) loss on disposal of tangible capital assets	-	-	-	-	-	-	-	-	-
Materials, goods and utilities	-	69,480	75,740	255,435	6,837	86,648	248,331	30	742,501
Other expenses	-	14,665	14,304	-	21,084	15,973	122,923	-	189,529
Salaries, wages and benefits	105,227	986,104	366,281	284,682	145,023	296,702	135,480	23,628	2,343,127
Transfers to (from) local boards and agencies	-	-	20,139	-	-	119,294	790,640	70,199	1,000,272
Transfers to other organizations	-	-	-	-	-	-	391,530	-	391,530
	439,041	1,561,439	682,164	729,540	396,262	809,907	1,952,608	95,902	6,666,863
<b>NET REVENUE,</b>									
<b>BEFORE AMORTIZATION</b>	<b>(154,731)</b>	<b>2,004,292</b>	<b>(350,925)</b>	<b>2,299,625</b>	<b>(334,280)</b>	<b>(635,601)</b>	<b>(1,010,334)</b>	<b>(39,742)</b>	<b>1,778,304</b>
Amortization expense	98,985	87,986	98,625	1,021,917	-	238,034	35,951	-	1,579,498
<b>NET REVENUE</b>	<b>(251,716)</b>	<b>1,916,306</b>	<b>(449,550)</b>	<b>1,277,708</b>	<b>(334,280)</b>	<b>(873,635)</b>	<b>(1,046,285)</b>	<b>(39,742)</b>	<b>198,808</b>

**Town of Turner Valley**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2021

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**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 for local governments established by the Public Sector Accounting Board of the Canadian Institute 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, 2021

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

**d) Valuation of financial assets and liabilities**

The Town's financial assets and liabilities are measured as follows:

<u>Financial statement component</u>	<u>Measurement</u>
Cash	Cost and amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Investments	Amortized cost
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Long-term debt	Amortized cost

**e) 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.

**f) Long-term debt**

Long-term debt is initially recognized net of any premiums, discounts, fees, and transaction costs, with interest expense recognized using the effective interest method. Long-term debt is subsequently measured at amortized cost.

**g) Requisition over-levy and under-levy**

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

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

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

**h) Inventories for resale**

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 water and wastewater services, 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.

**i) Revenue recognition**

Revenue from transactions with no performance obligation is recognized at realizable value when the Town has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset. Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor.

**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.

**Town of Turner Valley**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2021

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

**i) Revenue recognition (continued from previous page)**

**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 event giving rise to the transfer occurs, the transfer is authorized, all eligibility criteria, if any, have been met, and reasonable estimates of the amounts can be determined.. 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**

User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied. The Town accounts for all other revenue in the period in which the transactions or events giving rise to the revenue occurred and collectability is reasonably assured.

**j) 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.

**Town of Turner Valley**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2021

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

**k) 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 on a straight-line basis over the estimated useful life as follows:

	<u>Years</u>
Buildings	20 - 50
Engineered structures	10 - 65
Machinery and equipment	5 - 40
Vehicles	8 - 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) Inventories**

Inventories held for consumption are 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.

**I) 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, 2021

**2. CASH AND TEMPORARY INVESTMENTS**

	2021	2020
Cash	2,607,300	2,796,757

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

Included in cash and temporary investments and investments disclosed in note 5 are restricted amounts aggregating \$3,470,249 (2020 - \$3,252,801) to be used for specific capital and other projects, as disclosed in deferred revenue (note 6).

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

	2021	2020
Current taxes and grants in place of taxes	194,329	257,068
Arrears	53,347	61,924
	<b>247,676</b>	<b>318,992</b>

**4. TRADE AND OTHER RECEIVABLES**

	2021	2020
Trade and other receivables	963,323	465,237
Local improvement levies	256,996	271,718
Goods and services tax	92,422	65,719
Capital grants receivable	1,382,752	1,677,443
	<b>2,695,493</b>	<b>2,480,117</b>

**5. INVESTMENTS**

	2021	2020
Short-term notes and deposits	2,171,240	5,748,511
Long-term notes and deposits	2,173,659	-
	<b>4,344,899</b>	<b>5,748,511</b>

Short-term notes and deposits have effective interest rates of 0.50% to 1.10% (2020 - 0.25% to 2.60%) and mature in less than one year.

Long-term notes and deposits have effective interest rates of 1.15% (2020 - nil) and mature in 2023.

The Town also administers \$62,494 (2020 - \$62,095) of short-term notes and deposits that represent funds held in trust for the benefit of external parties.

**Town of Turner Valley**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2021

**6. DEFERRED REVENUE**

	2021	2020
Flood Recovery Erosion Control	2,563,221	2,655,547
Municipal Sustainability Initiative - Capital	518,589	103,090
Family and Community Support Services	9,365	-
Resident donations	26,277	26,277
Southern Alberta Flood Response Program	-	53,767
Municipal Stimulus Program	-	270,948
Federal Gas Tax Fund	185,224	-
Other deferred revenue	167,573	143,172
	<b>3,470,249</b>	<b>3,252,801</b>

**7. EMPLOYEE BENEFITS OBLIGATIONS**

	2021	2020
Vacation and overtime	82,837	90,102

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

**8. LONG-TERM DEBT**

	2021	2020
Self supported debentures	1,330,989	1,447,438
The current portion of the long-term debt amounts to \$120,199 (2020 - \$116,449).		
Principal and interest repayments are as follows:		
	Principal	Interest
2022	120,199	48,017
2023	124,089	44,127
2024	114,707	40,145
2025	118,679	36,174
2026	96,857	32,167
Thereafter	756,458	134,545
	1,330,989	335,175
	1,666,164	

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.497% to 4.950% (2020 - 1.497% to 4.950%) per annum, before Provincial subsidy, and matures in periods from 2023 through 2035. The average annual interest rate is 3.387% (2020 - 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 \$50,853 (2020 - \$55,174).

**Town of Turner Valley**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2021

**9. DEBT LIMITS**

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

	2021	2020
Total debt limit	9,078,027	9,042,945
Total debt (Note 8)	(1,330,989)	(1,447,438)
Amount debt limit remaining	<u>7,747,038</u>	<u>7,595,507</u>
Debt servicing limit	1,513,005	1,507,158
Debt servicing	(168,216)	(168,216)
Service on debt limit remaining	<u>1,344,789</u>	<u>1,338,942</u>

The debt limit is calculated at 1.5 times revenue of the Town excluding transfers from the governments of Alberta and Canada for the purposes of capital property (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.

**10. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2021	2020
Tangible capital assets (Schedule II)	72,828,394	69,418,089
Accumulated amortization (Schedule II)	(28,148,866)	(26,767,684)
Long-term debt issued for capital purposes (Note 8)	(1,330,989)	(1,447,438)
	<u>43,348,539</u>	<u>41,202,967</u>

**11. ACCUMULATED OPERATING SURPLUS**

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

	2021	2020
Unrestricted surplus	933,836	889,444
Internally restricted surplus (Note 13)	4,174,644	6,165,802
Equity in tangible capital assets (Note 10)	43,348,539	41,202,967
	<u>48,457,019</u>	<u>48,258,213</u>

**12. SEGMENTED DISCLOSURE**

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

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

General government includes council and other legislative, and general administration. Protective services includes bylaw enforcement, police, and fire. Transportation includes roads, streets, walks, and lighting. Planning and development includes land use planning, zoning and subdivision land and development. Public health and welfare includes family and community support. Recreation and culture includes parks and recreation, libraries, museums and halls. Environmental use and protection includes water supply and distribution, wastewater treatment and disposal, and waste management.

**Town of Turner Valley**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2021

**13. RESERVES**

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

	Balance Beginning	Net Change	Balance Closing
<b>Operating</b>			
Election/Census	5,000	(2,264)	2,736
Rate stabilization	22,629	(22,629)	-
Snow removal	50,252	-	50,252
Land use bylaw	70,000	(56,956)	13,044
Tax stabilization	334,007	-	334,007
Unallocated	615,654	(286,368)	329,286
Utility stabilization	240,279	-	240,279
	1,337,821	(368,217)	969,604
<b>Capital</b>			
Offsite levies	1,469,911	(131,000)	1,338,911
Capital reserves - asset replacement	2,883,806	(1,169,407)	1,714,399
Capital reserves - unallocated	474,264	(322,534)	151,730
	4,827,981	(1,622,941)	3,205,040
	6,165,802	(1,991,158)	4,174,644

**14. SALARY AND BENEFITS DISCLOSURE**

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

	Salary <sup>1</sup>	Benefits & allowances <sup>2</sup>	2021	2020
Mayor B. Crane	30,803	4,327	35,130	31,812
Councillors:				
Councillor J. Waring	20,924	4,209	25,133	24,150
Councillor L. Hamilton (9 months)	14,979	4,215	19,194	21,854
Councillor J. Gordon	19,574	862	20,436	19,474
Councillor G. Raab	20,424	-	20,424	18,824
Councillor C. Holladay	19,874	5,147	25,021	21,754
Councillor J. Wilkie (9 months)	14,029	592	14,621	15,974
Councillor C. Dixon (3 months)	4,646	920	5,566	-
Councillor H. Martin (3 months)	4,146	1,461	5,607	-
Administrator (12 months) (2020 - 12 months)	175,238	27,766	203,004	142,967
Designated officers (3 positions) (2020 - 3)	185,044	25,346	210,390	185,520

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.

**Town of Turner Valley**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2021

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**15. CONTINGENCIES**

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

**16. COMPARATIVE FIGURES**

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

**17. FINANCIAL INSTRUMENTS**

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, and long-term debt. It is management's opinion that the Town is not exposed to significant interest rate or currency risks arising from these financial instruments. Tax receivables and requisition over/under-levy are compulsory in nature, rather than contractual, however, the Town manages risk exposure on these items similar to other receivables and payables.

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

**18. BUDGET INFORMATION**

The disclosed budget information has been approved by Council on December 7, 2020. 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 (Town)	5,685,221	-	5,685,221
SRRUC (Town's 45% ownership)	397,354	-	397,354
Operating draw from reserves	-	(73,500)	(73,500)
 Operating revenue budget on the Statement of Operations	 6,082,575	 (73,500)	 6,009,075
  Approved operating expense budget	  5,581,633	  -	  5,581,633
SRRUC (Town's 45% ownership)	394,947	-	394,947
Repayment of long-term debt	103,588	(103,588)	-
 Operating expense budget on the Statement of Operations	 6,080,168	 (103,588)	 5,976,580
 Excess of Revenue over Expenses on the Statement of Operations	 2,407	 30,088	 32,495
Amortization of tangible capital assets	92,564	-	92,564
Acquisition of tangible capital assets	(4,511,000)	-	(4,511,000)
 Increase in Net Financial Assets on the Statement of Change in Net Financial Assets	 (4,416,029)	 30,088	 4,385,941

**Town of Turner Valley**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2021

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**19. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

Council and management have approved these consolidated financial statements.

**20. COVID-19**

The Covid-19 pandemic is cause a significant financial market and social dislocation. The situation is dynamic with various levels of government around the world responding in different ways to address the outbreak. The Town continues to monitor its operations and assess the impact Covid-19 will have on its business activities. The extent of the effect of the Covid-19 pandemic on the Town is uncertain.