

TOWN OF TURNER VALLEY

Financial Statements

For the year ended December 31, 2010

TOWN OF TURNER VALLEY
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For the year ended December 31, 2010

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Young Parkyn McNab LLP

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To: The Mayor and Members of Council of
the Town of Turner Valley

We have audited the accompanying consolidated financial statements of the Town of Turner Valley, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations, change in net financial assets, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

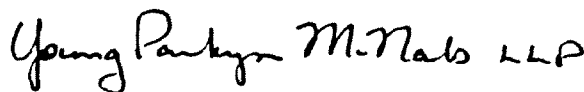
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Turner Valley as at December 31, 2010 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of matter

We draw attention to note 14 to the consolidated financial statements which describes the amendments made to the prior year's figures. Our audit opinion is not qualified in respect of this matter.

Lethbridge, Alberta

April 18, 2011



Chartered Accountants

MANAGEMENT REPORT

The consolidated financial statements are the responsibility of the management of the Town of Turner Valley.

These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town of Turner Valley is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility principally through the committee of the whole.

The Council meets annually with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council also considers the engagement or re-appointment of the external auditors. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Young Parkyn McNab LLP, Chartered Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Young Parkyn McNab LLP has full and free access to the Council.

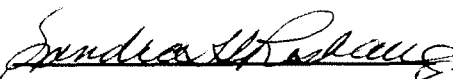
Chief Administrative Officer

TOWN OF TURNER VALLEY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2010

	2010	2009 (Restated)
Financial assets		
Cash and temporary investments (note 2)	\$ 6,116,211	\$ 5,194,788
Taxes and grants in place of taxes receivable (note 3)	666,305	791,649
Trade and other receivables	1,117,337	468,314
Land held for resale	48,414	48,414
	<u>7,948,267</u>	<u>6,503,165</u>
Liabilities		
Accounts payable and accrued liabilities	416,069	392,699
Employee benefit obligations (note 4)	16,927	6,394
Deposits	689,600	488,138
Deferred revenue (note 5)	812,361	268,079
Long-term debt (note 6)	2,034,899	677,537
Obligation under capital lease (note 7)	97,218	115,504
	<u>4,067,074</u>	<u>1,948,351</u>
Net financial assets	<u>3,881,193</u>	<u>4,554,814</u>
Non-financial assets		
Tangible capital assets (schedule 2)	27,136,534	24,590,035
Inventory for consumption	52,827	17,855
Prepaid expenses	13,218	11,477
	<u>27,202,579</u>	<u>24,619,367</u>
Accumulated surplus (note 10)	<u>\$ 31,083,772</u>	<u>\$ 29,174,181</u>

Commitments and contingencies (note 17)

Councillor 

Councillor 

TOWN OF TURNER VALLEY
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2010

	Budget (Unaudited)	2010	2009 (Restated)
Revenue			
Net municipal taxes (note 11)	\$ 2,253,011	\$ 2,266,973	\$ 2,245,265
User fees and sales of goods	1,347,323	1,206,364	1,440,817
Government transfers for operating (note 12)	160,890	97,071	90,102
Investment income	25,600	17,707	22,312
Penalties and costs of taxes	176,000	211,004	199,529
Licenses and permits	63,266	37,946	49,416
Franchise and concession contracts	99,500	185,614	115,257
Other revenue	7,950	35,485	87,932
	4,133,540	4,058,164	4,250,630
Expenses (note 13)			
Legislative	213,572	275,288	222,304
Administration	553,910	620,594	446,209
Fire	178,037	137,942	137,254
Disaster services	27,500	11,868	13,095
Emergency medical	11,938	11,938	31,964
Bylaw enforcement	238,073	212,638	195,491
Transportation services	969,374	875,333	1,026,003
Water supply and distribution	887,657	1,033,150	884,087
Wastewater treatment and disposal	391,021	349,251	321,023
Waste management	206,750	219,225	199,615
Family and community support services	57,739	49,222	49,639
Cemeteries and crematoriums	79,899	79,899	42,683
Land use planning, zoning and development	273,295	205,159	132,274
Economic and agricultural development	96,809	65,386	11,431
Parks and recreation	490,685	315,669	299,203
Culture - libraries, museums, halls	69,836	68,696	62,200
	4,746,095	4,531,258	4,074,475
(Deficiency) excess of revenue over expenses before other	(612,555)	(473,094)	176,155
Other			
Government transfers for capital (note 12)	2,925,000	2,382,685	2,098,413
Excess of revenue over expenses	2,312,445	1,909,591	2,274,568
Accumulated surplus, beginning of year			
As previously stated	29,052,875	29,052,875	26,899,613
Prior period adjustment (note 14)	-	121,306	-
As restated	29,174,181	29,174,181	26,899,613
Accumulated surplus, end of year	\$ 31,486,626	\$ 31,083,772	\$ 29,174,181

TOWN OF TURNER VALLEY
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2010

	Budget (Unaudited)	2010	2009 (Restated)
Excess of revenue over expenses	\$ 2,312,445	\$ 1,909,591	\$ 2,274,568
Acquisition of tangible capital assets	(4,203,000)	(3,680,729)	(1,669,504)
Amortization of tangible capital assets	944,789	944,789	946,671
Loss on disposal of tangible capital assets	-	189,441	158,925
	(3,258,211)	(2,546,499)	(563,908)
Net change in inventory for consumption	-	(34,972)	13,376
Net change in prepaid expense	-	(1,741)	27,483
	-	(36,713)	40,859
Increase in net financial assets	(945,766)	(673,621)	1,751,519
Net financial assets, beginning of year	4,554,814	4,554,814	2,803,295
Net financial assets, end of year	\$ 3,609,048	\$ 3,881,193	\$ 4,554,814

TOWN OF TURNER VALLEY
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2010

	2010	2009 (Restated)
Operating transactions		
Excess of revenue over expenses	\$ 1,909,591	\$ 2,274,568
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	189,441	158,925
Amortization of tangible capital assets	944,789	946,671
	3,043,821	3,380,164
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	125,344	(424,401)
Trade and other receivables	(649,023)	(193,102)
Inventory for consumption	(34,972)	13,375
Prepaid expenses	(1,741)	27,483
Accounts payable and accrued liabilities	23,370	(109,137)
Employee benefit obligations	10,533	(20,226)
Deposits	201,462	(109,981)
Deferred revenue	544,282	(116,428)
Cash provided by operating transactions	3,263,076	2,447,747
Capital transactions		
Acquisition of tangible capital assets	(3,680,729)	(1,669,504)
Financing transactions		
Proceeds of capital lease	-	127,249
Repayment of capital lease	(18,286)	(11,744)
Proceeds of long-term debt	1,395,000	328,131
Repayment of long-term debt	(37,638)	(414,850)
Cash provided by financing transactions	1,339,076	28,786
Increase in cash and temporary investments	921,423	807,029
Cash and temporary investments, beginning of year	5,194,788	4,387,759
Cash and temporary investments, end of year	\$ 6,116,211	\$ 5,194,788

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

1. Significant accounting policies

The consolidated financial statements of the Town of Turner Valley are the representations of management prepared in accordance with generally accepted accounting principles for local government established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. 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, changes in fund balances and change in financial position of the reporting entity which comprises all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

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

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

(b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(c) Inventories for resale

Land held for resale is recorded at the lower of cost and 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 waste water services, roads, sidewalks, and street lighting are recorded as physical assets under their respective function.

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

1. Significant accounting policies, continued

(e) Prepaid local improvements charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowing. These levies are collectible from property owners for work performed by the Town.

Where a taxpayer has elected to prepay the outstanding local improvement charge, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowing, the deferred revenue is amortized to the revenue by an amount equal to the debt repayment.

(f) 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.

(g) Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

(h) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(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 revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

1. Significant accounting policies, continued

(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:

	Years
Buildings	50
Engineered structures	30-65
Machinery and equipment	10-25
Construction in progress	10-25

Amortization is charged in the year of acquisition and no amortization is charged 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 of materials and supplies for consumption are valued at the lower of cost and net realizable value with cost determined by the average cost method.

(v) **Cultural and historical tangible capital assets**

Works of art for display are not recorded as tangible capital assets but are disclosed.

2. Cash and temporary investments

	2010	2009
Cash	\$ 3,663,621	\$ 2,769,863
Marketable securities	2,452,590	2,424,925
	<u>\$ 6,116,211</u>	<u>\$ 5,194,788</u>

Marketable securities consist of funds invested in the Servus Credit Union Savings account in the amount of \$263,280 (2009 - \$260,567) and Guaranteed Investment Certificates in the amount of \$2,189,310 (2009 - \$2,164,358) which bear interest between 1.15% and 1.35% and mature between March and April 2011.

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

3. Taxes and grants in place of taxes receivables

	2010	2009
Current taxes and grants in place of taxes receivable	\$ 295,140	\$ 580,254
Arrears	371,165	211,395
	<u>\$ 666,305</u>	<u>\$ 791,649</u>

4. Employee benefit obligations

	2010	2009
Vacation and overtime payable	\$ 16,927	\$ 6,394

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.

Sick time

Sick time can be accumulated up to 960 hours per employee however this amount is not paid out upon the termination of employment therefore no accrual is recorded. The current value of the sick time accrual is \$168,178 (2009 - \$160,166).

5. Deferred revenue

	2010	2009 (Restated)
Municipal Sustainability Initiative - operating	\$ 112,381	\$ 78,398
Municipal Sustainability Initiative - capital	568,572	187,706
Resident donations - recycling	1,650	1,650
Prepaid license, fees and rental	105	325
Street Improvement Program	79,653	-
Schmauss Meadows Phase 3B	50,000	-
	<u>\$ 812,361</u>	<u>\$ 268,079</u>

6. Long-term debt

	2010	2009
Self supported debentures	\$ 1,736,182	\$ 351,637
Self supported non-revolving term facility	298,717	325,900
	<u>\$ 2,034,899</u>	<u>\$ 677,537</u>
Current portion	<u>\$ 91,620</u>	<u>\$ 37,638</u>

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

6. Long-term debt, continued

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2011	\$ 91,620	\$ 81,412	\$ 173,032
2012	95,196	77,836	173,032
2013	98,917	74,115	173,032
2014	102,788	70,244	173,032
2015	106,816	66,216	173,032
Thereafter	1,539,562	586,164	2,125,726
	<u>\$ 2,034,899</u>	<u>\$ 955,987</u>	<u>\$ 2,990,886</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.875% to 5.096% per annum, before Provincial subsidy, and matures in periods 2020 through 2035. The non-revolving term facility is repayable to Royal Bank of Canada and bears interest at 4.110% per annum and matures in 2019. The average annual interest rate is 4.07% for 2010 (4.60% for 2009). For qualifying debentures, the Province of Alberta rebates 60% of interest in 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.

Interest on long-term debt and the capital lease amounted to \$49,770 (2009 - \$48,173).

The Town's total cash payments for interest in 2010 were \$34,699 (2009 - \$57,027).

7. Capital lease obligation

	2010	2009
Royal Bank of Canada	\$ 97,218	\$ 115,504
Current portion	\$ 19,123	\$ 18,286

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2011	\$ 19,123	\$ 3,969	\$ 23,092
2012	19,999	3,094	23,093
2013	20,913	2,179	23,092
2014	37,183	516	37,699
	<u>\$ 97,218</u>	<u>\$ 9,758</u>	<u>\$ 106,976</u>

This lease is repayable in monthly installments of \$1,924 including interest at 4.48%. Security pledged consists of equipment with a carrying value of \$110,306. The lease expires April 2014.

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

8. Equity in tangible capital assets

	2010	2009
Tangible capital assets (schedule 2)	\$ 44,304,584	\$ 40,876,053
Accumulated amortization (schedule 2)	(17,168,050)	(16,286,018)
Long-term debt (note 6)	(2,034,899)	(677,537)
Capital lease obligation (note 7)	(97,218)	(115,504)
	<u>\$ 25,004,417</u>	<u>\$ 23,796,994</u>

9. Reserves

Council has set up reserves for various purposes. These reserves are either required by legislation or set up at the discretion of Council to provide funding for future expenditures.

	2010	2009
Operating		
General	\$ 32,453	\$ 32,453
Water supply and distribution	87,820	87,820
Wastewater treatment and disposal	169,924	81,994
Waste management	107,535	87,503
Other	956,235	694,235
	<u>1,353,967</u>	<u>984,005</u>
Capital		
Administration	165,369	152,208
Common services	349,516	349,516
Roads, streets, walks and lighting	23,308	20,416
Water supply and distribution	733,427	718,717
Wastewater treatment and disposal	506,772	501,069
Equipment	1,895,277	1,743,757
	<u>3,673,669</u>	<u>3,485,683</u>
	<u>\$ 5,027,636</u>	<u>\$ 4,469,688</u>

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

10. Accumulated surplus

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

	2010	2009 (restated)
Unrestricted surplus	\$ 1,051,719	\$ 907,499
Internally restricted surplus (reserves) (note 9)	5,027,636	4,469,688
Equity in tangible capital assets (note 8)	25,004,417	23,796,994
	<u>\$ 31,083,772</u>	<u>\$ 29,174,181</u>

11. Net municipal property taxes

	Budget (Unaudited)	2010	2009
Taxation			
Real property taxes	\$ 2,889,268	\$ 2,896,030	\$ 2,811,819
Linear property taxes	74,139	74,138	72,131
Government grants in place of property taxes	18,752	18,752	26,683
Special assessments and local improvements	21,933	29,134	16,786
	<u>3,004,092</u>	<u>3,018,054</u>	<u>2,927,419</u>
Requisitions			
Alberta School Foundation Fund	686,500	682,341	623,363
Christ the Redeemer School	41,014	45,173	36,944
Seniors Foundation	23,567	23,567	21,847
	<u>751,081</u>	<u>751,081</u>	<u>682,154</u>
	<u>\$ 2,253,011</u>	<u>\$ 2,266,973</u>	<u>\$ 2,245,265</u>

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

12. Government transfers

	Budget (Unaudited)	2010	2009 (Restated)
Transfers for operating:			
Provincial unconditional grants	\$ 6,719	\$ 3,528	\$ 4,719
Provincial conditional grants	154,171	84,211	85,383
Federal conditional grants	-	9,332	-
	160,890	97,071	90,102
Transfers for capital			
Provincial conditional grants	1,563,000	1,488,520	1,717,727
Federal government	1,112,000	894,165	380,686
Other conditional funding	250,000	-	-
	2,925,000	2,382,685	2,098,413
	\$ 3,085,890	\$ 2,479,756	\$ 2,188,515

13. Expenses by object

	Budget (Unaudited)	2010	2009
Salaries, wages and benefits	\$ 1,535,702	\$ 1,402,527	\$ 1,146,331
Contracted and general services	1,127,805	995,651	919,817
Materials, goods, supplies and utilities	659,355	519,044	489,415
Interest on long term debt	51,921	49,770	48,173
Other expenditures	4,740	6,257	4,563
Transfers to organizations and others	421,783	423,785	360,579
Loss on disposal of tangible capital assets	-	189,435	158,926
Amortization of tangible capital assets	944,789	944,789	946,671
	\$ 4,746,095	\$ 4,531,258	\$ 4,074,475

14. Prior period adjustment

The prior year's figures have been restated to reflect income that had been deferred in the prior year. The result of this transaction is an increase in government transfer revenues for the year ended December 31, 2009 of \$121,306, and a decrease in deferred revenues of \$121,306 as at December 31, 2009.

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

15. 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 be disclosed as follows:

	2010	2009
Total debt limit	\$ 6,087,246	\$ 6,375,908
Total debt	2,132,117	793,041
	<u>\$ 3,955,129</u>	<u>\$ 5,582,867</u>
Debt servicing limit	\$ 1,014,541	\$ 1,062,651
Debt servicing	196,124	91,406
	<u>\$ 818,417</u>	<u>\$ 971,245</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) 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 at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

16. 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:

	(1) Salary	(2) Benefits & allowances	2010	2009
Council				
Mayor Tuck	\$ 2,193	\$ 677	\$ 2,870	\$ -
Mayor/Councillor Fluter	9,369	3,502	12,871	21,671
Councillor Jones	5,257	1,029	6,286	10,115
Councillor Pollock	6,499	1,504	8,003	18,156
Councillor Roberts	6,499	104	6,603	8,263
Councillor Rowntree	6,499	104	6,603	10,263
Councillor Wallace	6,499	667	7,166	9,063
Councillor Williamson	8,140	704	8,844	14,283
Administrator - Ogrodniczuk	31,241	2,738	33,979	100,425
Administrator - Sabine	88,362	3,573	91,935	-
Administrator				
- Transitional Solutions Inc.	\$ 67,800	\$ -	\$ 67,800	\$ -

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

16. Salary and benefits disclosure, continued

(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 planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

17. Commitments and contingencies

The Town of Turner Valley is a member of the Alberta Municipal Insurance Exchange (MUNIX) which provides liability insurance. The investment in this program is not reflected as an asset in the accompanying financial statements.

Under the terms of 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.

18. Financial instruments

The Town of Turner Valley's financial instruments consist of cash and temporary investments, trade and other receivables, taxes and grants in place of taxes receivable, accounts payable and accrued liabilities, deposit liabilities, capital lease obligations and long-term debt. It is management's opinion that the Town is not exposed to significant interest or risk arising from these financial instruments.

The Town of Turner Valley 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 fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

19. Approval of financial statements

These financial statements were approved by Council and Management.

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

20. Budget amounts

The 2010 budget for the Town was approved by Council and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified. The budget as originally approved contained expenses for capital additions, debt repayments and fund transfers. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget presented in these financial statements.

In addition, the approved budget did not contain an amount for amortization expense. In order to enhance comparability, the actual amortization expense has been included as a budget amount.

Budgeted surplus per financial statements	\$ 2,312,445
Less: Capital expenses	(4,203,000)
Long-term debt repayments	(73,141)
Transfers to reserves	(248,392)
Add: Amortization	944,789
Transfers from reserves	358,000
Long-term debt proceeds	920,000
<u>Equals: Approved budgeted surplus</u>	<u>\$ 10,701</u>

21. Comparative figures

Where necessary the comparative figures for the 2009 year have been reclassified to conform with 2010 financial statement presentation.

TOWN OF TURNER VALLEY
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2010	2009 (restated)
Balance, beginning of year					
As previously stated	\$ 786,193	\$ 4,469,688	\$ 23,796,994	\$ 29,052,875	\$ 26,899,613
Prior period adjustment (note 14)	121,306	-	-	121,306	-
As restated	907,499	4,469,688	23,796,994	29,174,181	26,899,613
Excess of revenue over expenses	1,909,591	-	-	1,909,591	2,274,568
Unrestricted funds designated for future use	(609,018)	609,018	-	-	-
Restricted funds used for operations	8,775	(8,775)	-	-	-
Restricted funds used for tangible capital assets	-	(42,295)	42,295	-	-
Current year funds used for tangible capital assets	(3,638,434)	-	3,638,434	-	-
Disposal of tangible capital assets	189,441	-	(189,441)	-	-
Annual amortization expense	944,789	-	(944,789)	-	-
Long-term debt repaid	(37,638)	-	37,638	-	-
Long-term debt proceeds	1,395,000	-	(1,395,000)	-	-
Capital lease repaid	(18,286)	-	18,286	-	-
Change in accumulated surplus	144,220	557,948	1,207,423	1,909,591	2,274,568
Balance, end of year	\$ 1,051,719	\$ 5,027,636	\$ 25,004,417	\$ 31,083,772	\$ 29,174,181

TOWN OF TURNER VALLEY
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

Schedule of tangible capital assets

Schedule 2

	Land	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2010	2009
Cost:								
Balance, beginning of year	\$ 970,267	\$ 8,095,249	\$ 29,230,478	\$ 885,641	\$ 546,941	\$ 1,147,477	\$ 40,876,053	\$ 39,550,154
Acquisitions	-	2,332,648	509,950	390,411	-	447,720	3,680,729	1,669,505
Disposals	-	-	(252,198)	-	-	-	(252,198)	(343,606)
Balance, end of year	970,267	10,427,897	29,488,230	1,276,052	546,941	1,595,197	44,304,584	40,876,053
Accumulated amortization:								
Balance, beginning of year	-	2,999,643	12,598,935	423,463	263,977	-	16,286,018	15,524,027
Annual amortization	-	161,384	668,377	66,054	48,974	-	944,789	946,673
Disposals	-	-	(62,757)	-	-	-	(62,757)	(184,682)
Balance, end of year	-	3,161,027	13,204,555	489,517	312,951	-	17,168,050	16,286,018
Net book value	\$ 970,267	\$ 7,266,870	\$ 16,283,675	\$ 786,535	\$ 233,990	\$ 1,595,197	\$ 27,136,534	\$ 24,590,035
2009 net book value (restated)	\$ 970,267	\$ 5,095,606	\$ 16,631,543	\$ 462,178	\$ 282,964	\$ 1,147,477	\$ 24,590,035	