

TOWN OF TURNER VALLEY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022 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 19, 2023

A handwritten signature in blue ink, consisting of several overlapping loops and a vertical line, positioned above a horizontal line.

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 Town of Turner Valley (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations, accumulated surplus, changes in net financial assets and 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 consolidated financial position of the Town as at December 31, 2022, and the results of its consolidated operations, changes in its net financial assets and its consolidated 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.

Other Matter

During the current year, the Town entered into an amalgamation agreement with the Town of Black Diamond, which was effective on January 1, 2023. As a result, the financial statements for the year ended December 31, 2022, represent the financial position and operations of the Town prior to the amalgamation. The impact of the amalgamation on the Town's financial position and operations will be reflected in the financial statements for the year ended December 31, 2023. The Town's management is responsible for ensuring that the financial statements for the year ended December 31, 2023, properly reflect the effects of the amalgamation in accordance with the Public Sector Accounting Standards (PSAS). The auditor's report for the year ended December 31, 2023, will include an opinion on the financial statements, including any adjustments required as a result of the amalgamation.

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 liquidate the Town or 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 19, 2023

MNP LLP

Chartered Professional Accountants

MNP

Town of Turner Valley
Consolidated Statement of Financial Position
As at December 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	4,137,116	2,607,300
Receivables		
Taxes and grants in place of taxes receivable (Note 3)	232,120	247,676
Trade and other receivables (Note 4)	1,020,244	2,510,269
Investments (Note 5)	4,438,806	4,344,899
	9,828,286	9,710,144
LIABILITIES		
Accounts payable and accrued liabilities	495,928	614,184
Deposit liabilities	818,347	760,706
Deferred revenue (Note 6)	3,621,505	3,285,025
Employee benefit obligations (Note 7)	81,082	82,837
Long-term debt (Note 8)	1,210,790	1,330,989
	6,227,652	6,073,741
NET FINANCIAL ASSETS	3,600,634	3,636,403
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule II)	43,124,773	44,679,528
Land held for resale inventory	-	48,414
Inventory for consumption	24,734	7,264
Prepaid expenses	93,761	85,410
	43,243,268	44,820,616
ACCUMULATED SURPLUS (Schedule I, Note 11)	46,843,902	48,457,019

Contingencies - Note 15
Subsequent Event - Note 19

Approved on behalf of Council


Mayor


Councillor

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

Town of Turner Valley
Consolidated Statement of Operations
For the year ended December 31, 2022

	2022 Budget (Note 18)	2022	2021
REVENUE			
Net municipal taxes (Schedule III)	3,172,932	3,100,190	2,963,002
User fees and sales of goods	2,292,102	2,319,503	2,017,683
Government transfers for operating (Schedule IV)	152,493	105,252	219,707
Investment income	203,943	145,675	124,534
Penalties and costs of taxes	133,800	89,914	113,101
Fines, rentals, licenses and permits	62,700	91,619	90,709
Franchise, concession contracts and other revenue	367,691	532,822	513,674
Gain on disposal of tangible capital assets	-	10,093	9,608
	6,385,661	6,395,068	6,052,018
EXPENSES			
Administration	1,112,425	1,739,558	1,316,652
Bylaw enforcement	347,332	325,611	307,564
Cemeteries and crematoriums	36,950	36,950	36,333
Culture - libraries, museums, halls	199,618	254,533	255,601
Disaster services	112,388	61,927	104,953
Economic and agricultural development	58,127	44,138	46,362
Family and community support services	68,176	63,260	59,569
Fire	328,410	377,256	368,272
Land use planning, zoning and development	257,220	239,164	349,900
Legislative	239,033	225,801	332,773
Parks and recreation	639,957	861,246	792,340
Transportation services	782,137	1,789,389	1,751,457
Waste management	381,482	390,707	517,282
Wastewater treatment and disposal	1,180,385	1,307,659	1,471,277
Sheep River Regional Utility Corporation ("SRRUC")	404,438	375,968	536,026
	6,148,078	8,093,167	8,246,361
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	237,583	(1,698,099)	(2,194,343)
OTHER			
Government transfers for capital (Schedule IV)	-	84,982	2,393,149
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	237,583	(1,613,117)	198,806
ACCUMULATED SURPLUS, BEGINNING OF YEAR	48,457,019	48,457,019	48,258,213
ACCUMULATED SURPLUS, END OF YEAR	48,694,602	46,843,902	48,457,019

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, 2022

	2022 Budget (Note 18)	2022	2021
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	237,583	(1,613,117)	198,806
Acquisition of tangible capital assets	(1,026,000)	(181,971)	(3,923,542)
Transfer of tangible capital assets to other organizations	-	-	269,887
Proceeds on disposal of tangible capital assets	-	11,843	54,642
Amortization of tangible capital assets	95,895	1,734,976	1,579,498
Gain on disposal of tangible capital assets	-	(10,093)	(9,608)
Disposal of land held for resale	-	48,414	-
(Acquisition) use of inventory for consumption	-	(17,470)	(4,902)
(Acquisition) use of prepaid expenses	-	(8,351)	(52,885)
DECREASE IN NET FINANCIAL ASSETS	(692,522)	(35,769)	(1,888,104)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	3,636,403	3,636,403	5,524,507
NET FINANCIAL ASSETS, END OF YEAR	2,943,881	3,600,634	3,636,403

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, 2022

	2022	2021
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficiency) of revenue over expenses	(1,613,117)	198,806
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	1,734,976	1,579,498
(Gain) loss on disposal of tangible capital assets	(10,093)	(9,608)
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	15,556	71,316
Increase in trade and other accounts receivable	1,490,025	(215,376)
Decrease (increase) in land held for resale	48,414	-
Decrease (Increase) in inventory for consumption	(17,470)	(4,902)
Decrease (increase) in prepaid expenses	(8,351)	(52,885)
Increase in accounts payable and accrued liabilities	(123,433)	320,982
Increase (decrease) in deposit liabilities	57,641	19,991
Increase in deferred revenue	336,480	217,448
Cash provided by operating transactions	1,910,628	2,395,157
CAPITAL		
Acquisition of tangible capital assets (Schedule II)	(178,549)	(3,926,419)
Proceeds on disposal of tangible capital assets	11,843	54,642
Cash provided by (applied to) capital transactions	(166,706)	(3,871,777)
INVESTING		
Decrease in investments	(93,907)	1,403,612
FINANCING		
Repayment of long-term debt	(120,199)	(116,449)
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	1,529,816	(189,457)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	2,607,300	2,796,757
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	4,137,116	2,607,300

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, 2022

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2022	2021
		(Note 13)	(Note 10)		
BALANCE, BEGINNING OF YEAR	933,836	4,174,644	43,348,539	48,457,019	48,258,213
Excess (deficiency) of revenue over expenses	(1,613,117)	-	-	(1,613,117)	198,806
Transfers from operating reserve (Note 13)	(59,404)	59,404	-	-	-
Transfers from capital reserves (Note 13)	222,657	(222,657)	-	-	-
Acquisition of tangible capital assets	(181,971)	-	181,971	-	-
Disposal of tangible capital assets	1,750	-	(1,750)	-	-
Annual amortization expense	1,734,976	-	(1,734,976)	-	-
Long-term debt repaid	(120,199)	-	120,199	-	-
Change in accumulated surplus	(15,308)	(163,253)	(1,434,556)	(1,613,117)	198,806
BALANCE, END OF YEAR	918,528	4,011,391	41,913,983	46,843,902	48,457,019

The accompanying notes are an integral part of these financial statements

Town of Turner Valley
Schedule II - Consolidated Schedule of Tangible Capital Assets
For the year ended December 31, 2022

	Land & Land Improvements	Vehicles	Buildings	Engineered Structures	Machinery & Equipment	Assets Under Construction	2022	2021
COST:								
BALANCE, BEGINNING 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
Acquisition of tangible capital assets	65,843	18,813	-	-	38,815	58,500	181,971	3,923,542
Transfers of assets	-	-	-	2,342,252	-	(2,342,252)	-	-
Disposal of tangible capital assets	-	-	-	-	(51,500)	-	(51,500)	(243,350)
Transfer to other organizations	-	-	-	-	-	-	-	(269,887)
BALANCE, END OF YEAR	828,138	1,572,206	8,956,596	57,822,219	3,721,571	58,135	72,958,865	72,828,394
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	996,230	3,359,656	21,676,109	2,116,871	-	28,148,866	26,767,684
Annual amortization	-	116,149	179,344	1,195,199	244,284	-	1,734,976	1,579,498
Accumulated amortization on disposals	-	-	-	-	(49,750)	-	(49,750)	(198,316)
BALANCE, END OF YEAR	-	1,112,379	3,539,000	22,871,308	2,311,405	-	29,834,092	28,148,866
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	828,138	459,827	5,417,596	34,950,911	1,410,166	58,135	43,124,773	44,679,528
2021 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	762,295	557,163	5,596,940	33,803,858	1,617,385	2,341,887	44,679,528	

During the year, tangible capital assets were acquired at an aggregate cost of \$181,971 (2021 - \$3,923,542), of which \$45,562 (2021 - \$42,140) is included in accounts payable at year end, consequently, \$178,549 (2021 - \$3,926,419) was paid in cash to acquire tangible capital assets during the year.

During the year, assets with a net book value of \$1,750 (2021 - \$45,034) were disposed of for proceeds of \$11,843 (2021 - \$54,642), resulting in a gain on disposal of tangible capital assets of \$10,093 (2021 - gain of \$9,608).

The accompanying notes are an integral part of these financial statements

Town of Turner Valley
Schedule III - Consolidated Schedule of Property and Other Taxes
For the year ended December 31, 2022

	2022 Budget	2022	2021
TAXATION			
Real property taxes	3,114,882	4,203,078	4,017,251
Linear property taxes	44,356	79,408	76,226
Government grants in lieu of property taxes	13,694	21,896	26,049
	3,172,932	4,304,382	4,119,526
REQUISITIONS			
Alberta School Foundation Fund	-	999,057	1,035,066
Christ the Redeemer School Division	-	73,970	72,830
Westwinds Communities	-	48,628	48,628
Designated Industrial Property	-	-	-
Municipal Police	82,006	82,537	54,990
	-	1,204,192	1,156,524
NET MUNICIPAL PROPERTY TAXES	3,090,926	3,100,190	2,963,002

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, 2022

	2022 Budget	2022	2021
TRANSFERS FOR OPERATING			
Provincial government	134,171	86,930	201,385
Other local governments	18,322	18,322	18,322
	152,493	105,252	219,707
TRANSFERS FOR CAPITAL			
Provincial government	-	63,387	2,363,609
Federal government	-	21,595	29,540
	-	84,982	2,393,149
TOTAL GOVERNMENT TRANSFERS	152,493	190,234	2,612,856

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, 2022

	2022 Budget	2022	2021
EXPENSES BY OBJECT			
Amortization of tangible capital assets	95,895	1,734,976	1,579,498
Bank charges and short-term interest	3,913	2,496	3,971
Contracted and general services	1,710,693	2,041,385	1,945,080
Interest on long-term debt	48,017	47,410	50,853
Materials, goods and utilities	638,342	540,997	742,501
Other expenses	249,816	379,899	189,529
Salaries, wages and benefits	2,380,707	2,289,659	2,343,127
Transfers to local boards and agencies	1,020,695	1,056,345	1,000,272
Transfers to other organizations	-	-	391,530
	6,148,078	8,093,167	8,246,361

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, 2022

	SRRUC	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Public Health Services	Total
REVENUE									
Net municipal taxes	-	3,100,190	-	-	-	-	-	-	3,100,190
User fees and sales of goods	236,552	196,784	167,706	671,873	-	132,682	909,206	-	2,319,503
Government transfer	-	30,759	18,813	44,574	-	31,917	8,000	56,171	190,234
Investment income	3,609	141,329	-	737	-	-	-	-	145,675
Penalties and costs of taxes	-	57,918	31,996	-	-	-	-	-	89,914
Fines, rentals, and licenses	-	-	9,085	-	58,039	24,495	-	-	91,619
Gain on disposal of assets	-	-	-	-	-	-	10,093	-	10,093
Franchise, concession contracts and other revenue	-	395,767	82,838	17,519	225	36,473	-	-	532,822
	240,161	3,922,747	310,438	734,703	62,964	225,567	927,299	56,171	6,480,060
EXPENSES									
Bank charges and short-term interest	131	2,337	-	-	-	28	-	-	2,466
Contracted and general services	183,082	555,645	184,466	259,987	130,570	284,424	441,356	1,855	2,041,385
Interest on long-term debt	-	10,679	6,257	1,457	-	19,781	9,236	-	47,410
(Gain) loss on disposal of tangible capital assets	-	-	-	-	-	-	-	-	-
Materials, goods and utilities	-	68,780	74,210	228,271	7,137	97,388	64,286	925	540,937
Other expenses	-	333,971	-	-	15,910	29,458	860	-	379,899
Salaries, wages and benefits	91,889	915,216	405,526	266,941	129,885	323,185	132,099	24,818	2,289,659
Transfers to (from) local boards and agencies	-	1,000	22,792	-	-	118,398	841,543	72,612	1,056,345
	275,102	1,887,628	693,251	756,656	283,302	872,662	1,489,380	100,210	6,388,191
NET REVENUE,									
BEFORE AMORTIZATION	(34,941)	2,035,119	(382,813)	(21,953)	(220,338)	(647,095)	(562,081)	(44,039)	121,859
Amortization expense	100,866	77,731	71,543	1,032,733	-	243,117	208,986	-	1,734,976
NET REVENUE	(135,807)	1,957,388	(454,356)	(1,054,686)	(220,338)	(890,212)	(771,067)	(44,039)	(1,613,117)

Town of Turner Valley
Notes to the Consolidated Financial Statements
For the year ended December 31, 2022

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, 2022

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, 2022

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 collectibility 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, 2022

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.

l) 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, 2022

2. CASH AND TEMPORARY INVESTMENTS

	2022	2021
Cash	4,137,116	2,607,300

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 \$3,621,505 (2021 - \$3,285,025) 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

	2022	2021
Current taxes and grants in place of taxes	166,008	194,329
Arrears	66,112	53,347
	232,120	247,676

4. TRADE AND OTHER RECEIVABLES

	2022	2021
Trade and other receivables	548,596	963,323
Local improvement levies	233,984	256,996
Goods and services tax	23,416	92,422
Capital grants receivable	214,248	1,197,528
	1,020,244	2,510,269

5. INVESTMENTS

	2022	2021
Short-term notes and deposits	2,210,428	2,171,240
Long-term notes and deposits	2,228,378	2,173,659
	4,438,806	4,344,899

Short-term notes and deposits have effective interest rates of 1.90% to 4.70% (2021 - 0.25% to 2.60%) and mature in less than one year.

Long-term notes and deposits have effective interest rates of 3.10% (2021 - 1.15%) and mature in 2024.

The Town also administers \$62,807 (2021 - \$62,494) 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, 2022

6. DEFERRED REVENUE

	2022	2021
Flood Recovery Erosion Control	2,582,735	2,563,221
Municipal Sustainability Initiative - Capital	806,992	519,498
Family and Community Support Services	-	9,365
Resident donations	26,277	26,277
Southern Alberta Flood Response Program	60,000	-
Other deferred revenue	145,501	166,664
	3,621,505	3,285,025

7. EMPLOYEE BENEFITS OBLIGATIONS

	2022	2021
Vacation and overtime	81,082	82,837

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

	2022	2021
Self supported debentures	1,210,790	1,330,989

The current portion of the long-term debt amounts to \$124,089 (2021 - \$116,449).

Principal and interest repayments are as follows:

	Principal	Interest	Total
2023	124,089	44,127	168,216
2024	114,707	40,145	154,852
2025	118,679	36,174	154,853
2026	96,857	32,167	129,024
2027	89,349	28,424	117,773
Thereafter	667,109	106,121	773,230
	1,210,790	287,158	1,497,948

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.497% to 4.950% (2021 - 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% (2021 - 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 \$47,410 (2021 - \$50,853).

Town of Turner Valley
Notes to the Consolidated Financial Statements
For the year ended December 31, 2022

9. DEBT LIMITS

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Town of Turner Valley be disclosed as follows:

	2022	2021
Total debt limit	9,592,602	9,078,027
Total debt (Note 8)	(1,210,790)	(1,330,989)
Amount debt limit remaining	8,381,812	7,747,038
Debt servicing limit	1,598,767	1,513,005
Debt servicing	(168,216)	(168,216)
Service on debt limit remaining	1,430,551	1,344,789

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

	2022	2021
Tangible capital assets (Schedule II)	72,958,865	72,828,394
Accumulated amortization (Schedule II)	(29,834,092)	(28,148,866)
Long-term debt issued for capital purposes (Note 8)	(1,210,790)	(1,330,989)
	41,913,983	43,348,539

11. ACCUMULATED OPERATING SURPLUS

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

	2022	2021
Unrestricted surplus	918,528	933,836
Internally restricted surplus (Note 13)	4,011,391	4,174,644
Equity in tangible capital assets (Note 10)	41,913,983	43,348,539
	46,843,902	48,457,019

Town of Turner Valley
Notes to the Consolidated Financial Statements
For the year ended December 31, 2022

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 services, use and protection includes water supply and distribution, wastewater treatment and disposal, and waste management. Sheep River Regional Utility Corporation, subsidiary that provide utility services, Town proportionately consolidates its 45% ownership.

13. RESERVES

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

	Balance Beginning	Net Change	Balance Closing
Operating¹			
Election/Census	2,736	5,000	7,736
Amalgamation	-	264,328	264,328
Snow removal	50,252	-	50,252
Land use bylaw	13,044	-	13,044
Tax stabilization	334,007	(49,864)	284,143
Unallocated	329,286	(243,093)	86,193
Utility stabilization	240,279	75,000	315,279
Bin Replacement	-	8,033	8,033
	969,604	59,404	1,029,008
Capital¹			
Offsite levies	1,338,911	-	1,338,911
Capital reserves - asset replacement	1,714,399	(217,586)	1,496,813
Capital reserves - unallocated	151,730	(5,071)	146,659
	3,205,040	(222,657)	2,982,383
	4,174,644	(163,253)	4,011,391

1. One of the conditions of the amalgamation (see note 19) as agreed upon by the Town of Black Diamond and Town of Turner Valley is that both Councils agreed to move funds from unallocated to allocated for specific purposes going forward. Upon amalgamation, the Town of Diamond Valley Council will have the discretion to re-allocate these reserves as needed.

Town of Turner Valley
Notes to the Consolidated Financial Statements
For the year ended December 31, 2022

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 ¹	Benefits & allowances ²	2022	2021
Mayor B. Crane	29,828	4,636	34,464	35,130
Councillors:				
Councillor J. Waring	23,174	4,609	27,783	25,133
Councillor L. Hamilton (2021 - 9 months)	-	-	-	19,194
Councillor J. Gordon	19,424	893	20,317	20,436
Councillor G. Raab	20,624	-	20,624	20,424
Councillor C. Holladay	19,824	5,600	25,424	25,021
Councillor J. Wilkie (2021 - 9 months)	-	-	-	14,621
Councillor C. Dixon (2021 - 3 months)	19,674	5,486	25,160	5,566
Councillor H. Martin (2021 - 3 months)	19,774	5,866	25,640	5,607
Administrator (12 months) (2021 - 12 months)	140,489	25,492	165,981	203,004
Designated officers (3 positions) (2021 - 3)	131,015	25,669	156,684	210,390

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, 2022

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 15, 2021. 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)	5,946,735	-	5,946,735
SRRUC (Town's 45% ownership)	488,790	-	488,790
Operating draw from reserves	-	(49,864)	(49,864)
Operating revenue budget on the Statement of Operations	6,435,525	(49,864)	6,385,661
Approved operating expense budget	5,839,535	-	5,839,535
SRRUC (Town's 45% ownership)	308,543	-	308,543
Repayment of long-term debt	107,200	(107,200)	-
Operating expense budget on the Statement of Operations	6,255,278	(107,200)	6,148,078
Excess of Revenue over Expenses on the Statement of Operations	180,247	57,336	237,583
Amortization of tangible capital assets	95,895	-	95,895
Acquisition of tangible capital assets	(1,026,000)	-	(1,026,000)
Decrease in Net Financial Assets on the Statement of Change in Net Financial Assets	(749,858)	57,336	(692,522)

Town of Turner Valley
Notes to the Consolidated Financial Statements
For the year ended December 31, 2022

19. SUBSEQUENT EVENT

Subsequent to the fiscal year end, effective January 1, 2023, the Town of Turner Valley and the Town of Black Diamond amalgamated to form the Town of Diamond Valley. As a result of the amalgamation, the financial statements for the year ended December 31, 2022, represent the separate financial statements of the Town of Turner Valley prior to the amalgamation.

20. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

Council and management have approved these consolidated financial statements.