

**MUNICIPAL DISTRICT OF TABER**

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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## **Management's Responsibility for Financial Reporting**

Municipal District of Taber's management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying consolidated financial statements and the notes thereto. Management believes that the consolidated financial statements present fairly the Municipal District's financial position as at December 31, 2014 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards. Financial statements are not precise, since they include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintained a system of internal controls to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The Municipal District 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 Municipal District's external auditors.

The consolidated financial statements have been audited by the independent firm of KPMG LLP, Chartered Accountants. Their report to the Members of Council of the Municipal District of Taber, stating the scope of their examination and opinion on the consolidated financial statements, follows.

  
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Reeve

  
\_\_\_\_\_  
Municipal Administrator



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## **Independent Auditors' Report**

To the Members of Council of the Municipal District of Taber

We have audited the accompanying financial statements of Municipal District of Taber (the "Municipal District") which comprise the statement of financial position as at December 31, 2014, the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Municipal District's preparation and fair presentation of the 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 Municipal District'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 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 financial statements present fairly, in all material respects, the financial position of Municipal District of Taber as at December 31, 2014, and results of its operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



*Other Matters*

The financial statements of the Municipal District of Taber as at and for the year ended December 31, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on March 25, 2014.

*KPMG LLP*

Chartered Accountants

March 24, 2015  
Lethbridge, Canada

**Municipal District of Taber  
Consolidated Statement of Financial Position  
As at December 31, 2014**

	<u>2014</u>	<u>2013</u>
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 3)	25,032,549	24,970,829
Receivables		
Taxes and grants in lieu receivables (Note 4)	269,735	386,251
Trade and other receivables	906,788	1,315,311
Land for resale inventory	786,795	861,148
Long-term investments (Note 5)	26,641	22,879
Other financial assets (Note 6)	6,857	5,538
	<u>27,029,365</u>	<u>27,561,956</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	735,364	917,339
Deferred revenue (Note 7)	433,884	1,222,392
Employee benefit obligations (Note 8)	304,431	273,221
Municipal trust funds (Note 9)	139,797	147,491
Long-term debt (Note 10)	3,361,249	3,653,348
	<u>4,974,725</u>	<u>6,213,791</u>
<b>NET FINANCIAL ASSETS</b>	<u>22,054,640</u>	<u>21,348,165</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 11)	85,671,593	82,621,092
Inventory for consumption	2,528,974	2,530,127
Land for future development	1,069,258	-
Prepaid expenses	222,582	194,314
	<u>89,492,407</u>	<u>85,345,533</u>
<b>ACCUMULATED SURPLUS (Schedule 1, Note 13)</b>	<u>111,547,047</u>	<u>106,693,698</u>

*Contingencies - See Note 17*

**Municipal District of Taber**  
**Consolidated Statement of Operations and Accumulated Surplus**  
**For the Year Ended December 31, 2014**

	Budget	2014	2013
	\$	\$	\$
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	14,471,688	14,462,234	14,006,673
Sales and user charges	1,215,495	1,369,514	1,125,855
Government transfers for operating (Schedule 4)	1,762,981	1,825,472	1,205,317
Investment income	281,000	339,529	305,885
Penalties and costs of taxes	45,000	77,235	73,004
Rentals	1,038,617	1,373,094	1,275,497
Insurance proceeds	-	6,148	-
Frontage levies	25,091	25,091	25,091
Well drilling taxes	40,000	84,006	38,023
Donated assets	-	57,899	-
Gain on sale of tangible capital assets	-	-	75,332
<b>Total Revenue</b>	<b>18,879,872</b>	<b>19,620,222</b>	<b>18,130,677</b>
<b>EXPENSES</b>			
Legislative	378,184	358,403	376,851
General administrative	1,812,664	1,724,720	1,583,892
Bylaws enforcement	151,500	183,663	142,022
GIS	364,484	395,531	275,167
Fire	640,666	726,269	533,315
Roads, streets, walks and lighting	8,950,019	8,784,333	9,434,872
Water and wastewater	2,114,517	1,983,191	1,772,598
Waste management	339,451	329,810	344,988
Family community support services	49,029	49,029	46,244
Agricultural services	1,518,110	1,433,773	1,474,751
Subdivision land development	14,000	2,455	897
Land/housing/buildings	514,040	512,783	374,178
Planning and development	178,747	174,845	158,758
Public housing	8,063	6,126	15,735
Recreation and parks	854,180	1,001,715	829,532
Library	131,752	136,499	125,740
<b>Total Expenses (Schedule 5)</b>	<b>18,019,406</b>	<b>17,803,145</b>	<b>17,489,540</b>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER</b>	<b>860,466</b>	<b>1,817,077</b>	<b>641,137</b>
<b>OTHER</b>			
Contributed assets	-	-	6,778,767
Government transfers for capital (Schedule 4)	2,683,173	3,036,272	3,500,634
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>3,543,639</b>	<b>4,853,349</b>	<b>10,920,538</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>106,693,698</b>	<b>106,693,698</b>	<b>95,773,160</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>110,237,337</b>	<b>111,547,047</b>	<b>106,693,698</b>

**Municipal District of Taber**  
**Consolidated Statement of Changes in Net Financial Assets**  
**For the Year Ended December 31, 2014**

	Budget \$	2014 \$	2013 \$
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>3,543,639</u>	<u>4,853,349</u>	<u>10,920,538</u>
Acquisition of tangible capital assets	(6,581,903)	(7,403,847)	(6,482,369)
Contributed tangible capital assets	-	-	(6,778,767)
Proceeds on disposal of tangible capital assets	(389,500)	383,970	567,562
Amortization of tangible capital assets	3,632,484	3,824,943	3,632,484
(Gain) loss on disposal of tangible capital assets	-	144,433	(75,332)
	<u>(3,338,919)</u>	<u>(3,050,501)</u>	<u>(9,136,422)</u>
Acquisition of inventory for consumption	(624,803)	(624,803)	(625,956)
Acquisition of prepaid assets	(222,582)	(222,582)	(194,314)
Acquisition of land held for resale	(1,069,258)	(1,069,258)	-
Use of inventory for consumption	625,956	625,956	786,610
Use of prepaid assets	194,314	194,314	366,666
	<u>(1,096,373)</u>	<u>(1,096,373)</u>	<u>333,006</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(891,653)	706,475	2,117,122
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>21,348,165</u>	<u>21,348,165</u>	<u>19,231,043</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u><u>20,456,512</u></u>	<u><u>22,054,640</u></u>	<u><u>21,348,165</u></u>

**Municipal District of Taber  
Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2014**

	2014	2013
	\$	\$
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	4,853,349	10,920,538
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	3,824,943	3,632,484
(Gain) loss on disposal of tangible capital assets	144,433	(75,332)
Tangible capital assets received as contributions	-	(6,778,767)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivables	116,516	(15,542)
Decrease (increase) in trade and other receivables	408,523	(346,041)
Decrease (increase) in land held for resale	(994,905)	109,260
Decrease (increase) in prepaid expenses	(28,268)	172,352
Decrease (increase) in other financial assets	(1,319)	15,357
Decrease (increase) in inventory for consumption	1,153	160,654
Increase (decrease) in accounts payable & accrued liabilities	(34,484)	(299,854)
Increase (decrease) in trust funds	(7,694)	8,192
Increase (decrease) in deferred revenue	(935,999)	692,710
Increase (decrease) in employee benefit obligations	31,210	46,532
Cash provided by operating transactions	<u>7,377,458</u>	<u>8,242,543</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(7,403,847)	(6,482,369)
Proceeds on disposal of tangible capital assets	<u>383,970</u>	<u>567,562</u>
Cash applied to capital transactions	<u>(7,019,877)</u>	<u>(5,914,807)</u>
<b>INVESTING</b>		
Decrease (increase) in investments	<u>(3,762)</u>	<u>(4,615)</u>
Cash applied to investing transactions	<u>(3,762)</u>	<u>(4,615)</u>
<b>FINANCING</b>		
Long-term debt repaid	<u>(292,099)</u>	<u>(275,922)</u>
Cash applied to financing transactions	<u>(292,099)</u>	<u>(275,922)</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	61,720	2,047,199
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>24,970,829</u>	<u>22,923,630</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>25,032,549</u></u>	<u><u>24,970,829</u></u>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 3)	<u><u>25,032,549</u></u>	<u><u>24,970,829</u></u>



Municipal District of Taber  
Schedule of Changes in Accumulated Surplus  
For the Year Ended December 31, 2014  
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2014 \$	2013 \$
<b>BALANCE, BEGINNING OF YEAR</b>	<b>15,452,673</b>	<b>12,273,281</b>	<b>78,967,744</b>	<b>106,693,698</b>	<b>95,773,160</b>
Excess of revenues over expenses	4,853,349	-	-	4,853,349	10,920,538
Unrestricted funds designated for future use	(1,455,208)	1,455,208	-	-	-
Restricted funds used for tangible capital assets	-	(1,743,804)	1,743,804	-	-
Current year funds used for tangible capital assets	(5,660,043)	-	5,660,043	-	-
Disposal of tangible capital assets	528,403	-	(528,403)	-	-
Annual amortization expense	3,824,943	-	(3,824,943)	-	-
Long term debt repaid	(292,099)	-	292,099	-	-
Change in accumulated surplus	1,799,345	(288,596)	3,342,600	4,853,349	10,920,538
<b>BALANCE, END OF YEAR</b>	<b>17,252,018</b>	<b>11,984,685</b>	<b>82,310,344</b>	<b>111,547,047</b>	<b>106,693,698</b>

**Municipal District of Taber**  
**Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2014**  
**Schedule 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2014	2013
							\$	\$
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	20,029,877	145,958	2,130,748	94,529,639	13,066,757	5,104,371	135,007,350	123,023,409
Acquisition of tangible capital assets	-	-	117,954	4,095,152	1,522,219	487,602	6,222,927	13,089,553
Construction-in-progress	-	1,178,375	-	2,545	-	-	1,180,920	171,583
Disposal of tangible capital assets	-	-	-	-	(789,762)	(29,264)	(819,026)	(1,277,195)
BALANCE, END OF YEAR	20,029,877	1,324,333	2,248,702	98,627,336	13,799,214	5,562,709	141,592,171	135,007,350
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	39,623	905,722	42,816,523	6,069,966	2,554,424	52,386,258	49,538,739
Annual amortization	-	6,682	45,162	2,601,439	780,269	391,391	3,824,943	3,632,484
Accumulated amortization on disposals	-	-	-	-	(261,358)	(29,265)	(290,623)	(784,965)
BALANCE, END OF YEAR	-	46,305	950,884	45,417,962	6,588,877	2,916,550	55,920,578	52,386,258
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>20,029,877</b>	<b>1,278,028</b>	<b>1,297,818</b>	<b>53,209,374</b>	<b>7,210,337</b>	<b>2,646,159</b>	<b>85,671,593</b>	<b>82,621,092</b>
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	20,029,877	106,335	1,225,026	51,713,116	6,996,791	2,549,947	82,621,092	

**Municipal District of Taber  
Schedule of Property and Other Taxes  
For the Year Ended December 31, 2014  
Schedule 3**

	Budget	2014 \$	2013 \$
<b>TAXATION</b>			
Property taxes levied	19,828,991	19,812,679	19,358,815
Government grants in place of property taxes	17,563	17,563	17,145
	<u>19,846,554</u>	<u>19,830,242</u>	<u>19,375,960</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	5,088,685	5,081,778	5,093,186
Holy Spirit School Division	131,375	131,672	129,200
Taber and District Housing Authority	154,806	154,558	146,901
	<u>5,374,866</u>	<u>5,368,008</u>	<u>5,369,287</u>
<b>NET MUNICIPAL TAXES</b>	<u>14,471,688</u>	<u>14,462,234</u>	<u>14,006,673</u>

**Municipal District of Taber**  
**Schedule of Government Transfers**  
**For the Year Ended December 31, 2014**  
**Schedule 4**

	Budget	2014 \$	2013 \$
<b>TRANSFERS FOR OPERATING:</b>			
Provincial Government	1,722,890	1,774,069	1,178,909
Federal Government	5,000	-	-
Other Local Governments	35,091	51,403	26,408
	<u>1,762,981</u>	<u>1,825,472</u>	<u>1,205,317</u>
 <b>TRANSFERS FOR CAPITAL:</b>			
Provincial Government	2,309,001	2,649,550	2,089,733
Federal Government	374,172	386,722	1,410,901
	<u>2,683,173</u>	<u>3,036,272</u>	<u>3,500,634</u>
 <b>TOTAL GOVERNMENT TRANSFERS</b>	 <u>4,446,154</u>	 <u>4,861,744</u>	 <u>4,705,951</u>

**Municipal District of Taber  
Schedule of Consolidated Expenses by Object  
For the Year Ended December 31, 2014  
Schedule 5**

	Budget \$	2014 \$	2013 \$
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	6,085,849	5,571,625	5,495,167
Contracted and general services	2,698,543	2,410,459	2,632,644
Purchase from other governments	385,420	401,446	373,972
Materials, goods, supplies and utilities	3,764,414	3,881,100	3,997,263
Provision for allowances	232,000	238,062	5,404
Bank charges and short term interest	2,000	3,077	3,728
Grants to individuals and organizations	1,007,073	1,126,158	1,124,496
Interest on long term debt	211,623	201,842	224,382
Amortization of tangible capital assets	3,632,484	3,824,943	3,632,484
Loss on disposal of tangible capital assets	-	144,433	-
	<u>18,019,406</u>	<u>17,803,145</u>	<u>17,489,540</u>

**Municipal District of Taber**  
**Schedule of Segmented Disclosure**  
**For the Year Ended December 31, 2014**  
**Schedule 6**

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health	Planning & Development	Recreation & Culture	Total \$
<b>REVENUE</b>								
Net municipal taxes	14,462,234	-	-	-	-	-	-	14,462,234
Government transfers	72,927	44,030	3,385,066	864,430	6,126	191,901	297,264	4,861,744
Sales and user charges	52,087	52,656	209,920	802,429	-	1,464,806	81,630	2,663,528
Investment income	338,319	-	-	1,210	-	-	-	339,529
Contributed assets	-	-	-	-	-	-	57,899	57,899
Other revenues	246,469	-	-	25,091	-	-	-	271,560
	<u>15,172,036</u>	<u>96,686</u>	<u>3,594,986</u>	<u>1,693,160</u>	<u>6,126</u>	<u>1,656,707</u>	<u>436,793</u>	<u>22,656,494</u>
<b>EXPENSES</b>								
Salaries, wages and benefits	1,208,986	70,358	2,808,531	398,174	-	1,024,666	60,910	5,571,625
Contracted and general services	527,116	481,903	292,829	932,210	-	342,908	238,016	2,814,982
Materials, goods, supplies and utilities	88,868	278,698	2,255,598	442,716	-	664,495	150,725	3,881,100
Transfers to other governments and boards	24,663	-	-	100,008	49,029	290,882	661,576	1,126,158
Interest on long term debt	-	-	-	195,716	6,126	-	-	201,842
Other Expenses	238,062	-	144,433	-	-	-	-	382,495
	<u>2,087,695</u>	<u>830,959</u>	<u>5,501,391</u>	<u>2,068,824</u>	<u>55,155</u>	<u>2,322,951</u>	<u>1,111,227</u>	<u>13,978,202</u>
<b>EXCESS (DEFICENCY) OF REVENUE OVER EXPENSES, BEFORE AMORTIZATION</b>	<u>13,084,341</u>	<u>(734,273)</u>	<u>(1,906,405)</u>	<u>(375,664)</u>	<u>(49,029)</u>	<u>(666,244)</u>	<u>(674,434)</u>	<u>8,678,292</u>
Amortization	50,572	78,973	3,282,942	244,177	-	141,292	26,987	3,824,943
<b>EXCESS (DEFICENCY) OF REVENUE OVER EXPENSES</b>	<u>13,033,769</u>	<u>(813,246)</u>	<u>(5,189,347)</u>	<u>(619,841)</u>	<u>(49,029)</u>	<u>(807,536)</u>	<u>(701,421)</u>	<u>4,853,349</u>

**Municipal District of Taber**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2014**

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**I. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Municipal District of Taber are the representations of management prepared in accordance with the Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies adopted by the Municipal District of Taber are as follows:

**a) Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, changes in net financial assets of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources. Included with the Municipality are the following:

Regional Fire Authority

The schedule of taxes levied also includes requisitions for education, health, 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 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) 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 expense during the period. Where measurable uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

**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.

**e) Requisition Over-levy and Under-levy**

Over-levies and under-levies arise from the differences 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.

**Municipal District of Taber  
Notes to Financial Statements  
For the Year Ended December 31, 2014**

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

**f) Land held for resale**

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 their respective function.

**g) Pension expenses**

The Municipality participates in a multi-employer pension plan. Pension contributions are accounted for using defined contribution accounting, wherein contributions for current and past service pension benefits are recorded as expenses in the year they become due.

**h) 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.

**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 (Debt) 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 declining balance basis and/or amortized on a straight-line basis over the estimated useful life as follows:

	<b>PERCENT</b>	<b>YEARS</b>
Land Improvements		15-25
Buildings		25-50
Engineered structures		
Water System	2% - 3%	
Waste water system	2% - 3%	
Other engineered structures	2% - 20%	30
Machinery and equipment		5-25
Vehicles		3-25

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.



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**iv. Inventory for Consumption**

Inventory held for consumption are recorded at the lower of cost and replacement cost.

**v. Land held for future development**

Land held for future development represents land holdings that will be available for sale in the future. Land held for future development 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 their respective function.

**2. FUTURE ACCOUNTING PRONOUNCEMENTS**

The following is a summary of future accounting pronouncements. The impact of these pronouncements is expected to have a limited impact on the financial statements of the Municipality.

1. **Liability for contaminated sites:**  
The Public Sector Accounting Standards Board (PSAB) approved Section PS 3260. This section establishes standards for reporting a liability associated with the remediation of certain contaminated sites. This section is effective for years beginning on or after April 1, 2014. The Municipality has not yet adopted this standard or determined the effect of the adoption of this standard on its financial statements.
2. **Financial instruments, foreign currency translation and financial statements presentation:**  
PSAB approved Sections PS 3450 financial instruments, PS 2601 foreign currency translation, and PS 1201 financial statements presentation. PS 3450 provides guidance on the recognition, measurement, presentation, and disclosure of financial instruments including derivative instruments. PS 2601 provides guidance on how to account for and report financial instruments and transactions denominated in foreign currency. PS 1201 discloses unrealized gains and losses. These sections are effective for years beginning on or after April 1, 2016. While early adoption is allowed, all three sections must be adopted at the same time. The Municipality has not yet adopted these standards or determined the effect on the adoption on its financial statements.

**3. CASH AND TEMPORARY INVESTMENTS**

	<u>2014</u>	<u>2013</u>
Cash	\$ 1,032,549	\$ 970,829
Temporary Investments	<u>24,000,000</u>	<u>24,000,000</u>
	<u>\$ 25,032,549</u>	<u>\$ 24,970,829</u>

Cash consists of cash on hand and short term investments that are highly liquid and with an original maturity of less than 90 days. Temporary investments are short-term deposits with original maturities of twelve months or less with interest rates ranging from 1.85% to 1.86%.

Council has designated funds of \$6,116,860 (2013 - \$6,440,664) included in the above amounts for equipment replacement.

Included in temporary investments is a restricted amount of \$433,884 (2013 – \$1,222,392) received from senior levels of government and held exclusively for capital projects (Note 7).

**Municipal District of Taber  
Notes to Financial Statements  
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**4. TAXES AND GRANTS IN LIEU RECEIVABLES**

	<u>2014</u>	<u>2013</u>
Current taxes and grants in place of taxes	\$ 242,306	\$ 191,593
Arrears taxes	<u>280,660</u>	<u>215,652</u>
	522,966	407,245
Less allowance for doubtful accounts	<u>(253,231)</u>	<u>(20,994)</u>
	<u>\$ 269,735</u>	<u>\$ 386,251</u>

**5. LONG-TERM INVESTMENTS**

	<u>2014</u>	<u>2013</u>
Alberta Municipal Financing Corporation Shares	\$ 120	\$ 120
Alberta Association of Municipal Districts and Counties Equity	-	3,105
Medicine Hat CO-OP Equity	20,286	14,125
United Farmers of Alberta Equity	<u>6,235</u>	<u>5,529</u>
	<u>\$ 26,641</u>	<u>\$ 22,879</u>

**6. OTHER FINANCIAL ASSETS/(LIABILITIES)**

	<u>2014</u>	<u>2013</u>
Alberta School Requisition (Over)/Under-levy	\$ 6,609	\$ 5,326
Taber Seniors Foundation (Over)/Under-levy	<u>248</u>	<u>212</u>
	<u>\$ 6,857</u>	<u>\$ 5,538</u>

**7. DEFERRED REVENUE**

	<u>2014</u>	<u>2013</u>
Municipal Sustainability Initiative	\$ 283,214	\$ 557,673
Regional Collaboration Program	<u>\$ 150,670</u>	<u>\$ 664,719</u>
	<u>\$ 433,884</u>	<u>\$ 1,222,392</u>

Funding in the amount of \$433,884 was received in the current year from the senior levels of government. The use of these funds is restricted to eligible capital projects, as approved under the funding agreements, which are scheduled for completion in 2015. Unexpended funds related to the advance are supported by temporary investments of \$433,884 held exclusively for these projects (Note 3).

**8. EMPLOYEE BENEFIT OBLIGATIONS**

	<u>2014</u>	<u>2013</u>
Vacation	\$ 254,441	\$ 241,187
Overtime	<u>49,990</u>	<u>32,034</u>
	<u>\$ 304,431</u>	<u>\$ 273,221</u>

The employee benefit obligations liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

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**9. MUNICIPAL TRUST FUNDS**

Municipal Trust funds represent unspent funds received in lieu of contributions for community enhancement expenditures. A summary of municipal trust fund activities by the Municipal District of Taber is as follows:

	<u>2014</u>	<u>2013</u>
<b>Subdivisions</b>		
Balance at beginning of year	\$ 147,491	\$ 139,299
Net revenue of land held for resale subdivided and sold	17,585	6,776
Investment income	1,321	1,416
Community enhancement expenditures	(26,600)	-
	<u>\$ 139,797</u>	<u>\$ 147,491</u>

**10. LONG TERM DEBT**

	<u>2014</u>	<u>2013</u>
Alberta Municipal Financing Corporation debenture debt bearing interest at rates ranging from 5.75% to 6.375% per annum maturing in periods from 2015 through 2028.	\$ 3,349,201	\$ 3,629,142
Self-financing capital debt for a water treatment plant, repayable in annual installments of \$13,369 including interest at 5% with a maturity date of June 2015.	12,048	24,206
	<u>3,361,249</u>	<u>3,653,348</u>
Less principal portion due within one year	<u>308,510</u>	<u>292,099</u>
	<u>\$ 3,052,739</u>	<u>\$ 3,361,249</u>

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	308,510	194,494	503,004
2016	244,607	176,394	421,001
2017	258,719	162,283	421,002
2018	273,644	147,358	421,002
2019	289,429	131,572	421,001
Thereafter	<u>1,986,340</u>	<u>427,869</u>	<u>2,414,209</u>
	<u>\$ 3,361,249</u>	<u>\$ 1,239,970</u>	<u>\$ 4,601,219</u>

Interest on long-term debt amounted to \$201,842 (2013 – \$224,382).

The Municipal District's total cash payments for interest in 2014 were \$211,623 (2013 – \$227,800).

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**10. DEBT LIMITS**

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

	<u>2014</u>	<u>2013</u>
Total debt limit	\$ 29,430,333	\$ 27,196,015
Total debt	<u>3,361,249</u>	<u>\$ 3,653,348</u>
Amount of debt limit unused	<u>\$ 26,069,084</u>	<u>\$ 23,542,667</u>
Service on debt limit	\$ 4,905,055	\$ 4,532,669
Service on debt	<u>503,722</u>	<u>503,722</u>
Amount of debt servicing limit unused	<u>\$ 4,401,333</u>	<u>\$ 4,028,947</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 that 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.

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**11. TANGIBLE CAPITAL ASSETS**

	Net Book Value	
	<u>2014</u>	<u>2013</u>
Land	\$ 20,029,877	\$ 20,029,877
Land Improvements	99,653	106,335
Land Improvements – construction-in-progress	1,178,375	-
Buildings	1,297,818	1,225,026
Engineered Structures		
Roadway system	44,014,455	42,616,695
Roadway system – construction-in-progress	220,502	217,957
Water distribution system	5,463,246	5,285,160
Wastewater treatment system	2,866,934	2,929,142
Communication System	644,237	664,162
Machinery, equipment and furnishings	7,210,337	6,996,791
Vehicles	<u>2,646,159</u>	<u>2,549,947</u>
	<u>\$ 85,671,593</u>	<u>\$ 82,621,092</u>

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**12. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<u>2014</u>	<u>2013</u>
Tangible capital assets (Schedule 2)	\$ 141,592,171	\$ 135,007,350
Accumulated amortization (Schedule 2)	(55,920,578)	(52,386,258)
Long-term debt (Note 10)	<u>(3,361,249)</u>	<u>(3,653,348)</u>
	<u>\$ 82,310,344</u>	<u>\$ 78,967,744</u>

**Municipal District of Taber  
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**13. ACCUMULATED SURPLUS**

	<u>2014</u>	<u>2013</u>
Unrestricted surplus	\$ 17,252,018	\$ 15,452,673
Restricted surplus		
Operating reserve	5,867,825	5,832,617
Capital reserve	6,116,860	6,440,664
Equity in tangible capital assets	<u>82,310,344</u>	<u>78,967,744</u>
	<u>\$ 111,547,047</u>	<u>\$ 106,693,698</u>

**14. SALARY AND BENEFITS DISCLOSURE**

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

	<u>2014</u>			<u>2013</u>
	Salary <sup>1</sup>	Benefits & allowances <sup>2</sup>	Total	Total
Councillors:				
Division 1	\$ 19,570	\$ 7,723	\$ 27,293	\$ 37,925
Division 2	30,385	7,946	38,331	37,521
Division 3	28,840	7,894	37,734	40,698
Division 4	37,080	8,166	45,246	42,945
Division 5	32,960	8,030	40,990	41,912
Division 6	21,243	7,652	28,895	26,909
Division 7	24,463	9,807	34,270	34,621
Municipal Administrator <sup>3</sup>	172,500	33,000	205,500	190,090
Designated officers <sup>3</sup> (6 positions)	691,019	142,543	833,562	764,889

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
3. Benefits and allowances figures also include the Employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships. There were no such benefits of this nature during the year.

**15. LOCAL AUTHORITIES PENSION PLAN**

Employees of the Municipal District of Taber participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Municipal District of Taber is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

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Total current service contributions by the Municipal District of Taber to the LAPP in 2014 were \$452,023 (2013 - \$307,626). Total current service contributions by the employees of the Municipal District of Taber to the Local Authorities Pension Plan in 2014 were \$408,117 (2013 - \$281,222).

At December 31, 2013, the LAPP disclosed an actuarial deficiency of \$4.86 billion.

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**16. APEX SUPPLEMENTARY PLAN**

The APEX supplementary pension plan, an Alberta Urban Municipalities Association (AUMA) sponsored defined benefit pension plan covered under the provisions of the Alberta Employment Pensions Plans Act, commenced on January 1, 2003 and provides supplementary pension benefits to a prescribed class of employees. The plan supplements the Local Authorities Pension Plan.

Contributions are made by the prescribed class of employees and the Municipal District of Taber. Employees and the Municipal District of Taber are required to make current services contributions to APEX of 2.5% (2013 - 2.5%) and 3.0% (2013 - 3.0%) respectively of pensionable earnings up to \$140,945 (2013 - \$134,834).

Total current service contributions by the Municipal District of Taber to APEX in 2014 were \$26,876 (2013 - \$19,349). Total current service contributions by the employees of the Municipal District of Taber were \$22,396 (2013 - \$16,124).

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**17. SEGMENTED DISCLOSURE**

Segmented disclosures have been identified based upon lines of services provided by the Municipal District. The Municipalities services are provided by departments and their activities are reported by functional area in the body of the consolidated financial statements. For each reported segment, revenues 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 financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6)

Certain lines of service that have been disclosed in the segmented financial information, along with the services they provide, are as follows:

- a) General government  
The mandate of the general government includes all taxation. Council and administrative functional activities.
- b) Protective services  
The mandate of protective services is to provide for rescue and protection of people and property within the Municipal District, through effective and efficient management and coordination of emergency services systems and resources.
- c) Transportation services  
The mandate of transportation services is the delivery of municipal public works services relating to the planning, development and maintenance of roadway systems, streets, walks, lighting and storm water flows.
- d) Environmental services  
The mandate of environmental services is the delivery of utility services including water supply and distribution services, wastewater treatment and disposal activities, and solid waste and recycling management.
- e) Public health services  
The mandate of public health services is the contribution to Family and Community Support Services (FCSS) and the administration and maintenance of cemeteries.
- f) Planning and development

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The mandate of planning and development is the administration of residential, commercial and industrial development services, and the operation and maintenance of certain Municipal assets.

g) **Recreation and Culture**

The mandate of recreation and culture includes the operation and maintenance of parks, sports fields, and recreation, community and cultural facilities within the Municipal District.

For each reported segment, revenues 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 adopted by the Municipal District as a whole.

**18. CONTINGENCIES**

- a) The Municipal District of Taber is a member of the Genesis Reciprocal Insurance Program. Under the terms of the membership, the Municipal District of Taber 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.
- b) The Municipality is involved in various litigation and claims associated with normal operations and management believes that any resulting settlement would not materially affect the financial position of the Municipality.
- c) The Municipality has not recognized liabilities relating to certain obligations, primarily environmental and other liabilities relating to facilities, equipment and land. These liabilities are not recognized as the dates of remediation are unknown and as such the fair value of these liabilities cannot be reasonably determined.

**19. RELATED PARTIES**

During the year, the Municipal District of Taber carried out transaction with related parties. These related parties included the Highway 3 Regional Water Services Commission, the Vauxhall & District Regional Water Services Commission and the Taber and District Waste Management Authority, which are organizations that the Municipality has a significant influence.

During the year, the Municipality paid service fees to the Vauxhall & District Water Services Commission of \$196,831 (2013 - \$165,065) and incurred expenses on behalf of the Vauxhall & District Water Services Commission of \$187,585 (2013 - 137,811).

During the year, the Municipality paid service fees to the Highway 3 Regional Water Services Commission of \$128,732 (2013 - \$110,099) and incurred expenses on behalf of the Highway 3 Regional Water Services Commission of \$108,233 (2013 - \$87,823).

During the year, the Municipality paid fees to the Taber and District Regional Waste Management Authority of \$49,603 (2013 - \$37,600).

The accounts receivable and account payables included amounts from related parties as follows:

	<u>2014</u>	<u>2013</u>
<b>Accounts Receivable</b>		
Highway 3 Regional Water Services Commission	\$ 97,768	\$ 105,181
Vauxhall & District Regional Water Services Commission	<u>15,981</u>	<u>44,366</u>
	<u>\$ 113,749</u>	<u>\$ 149,547</u>
<b>Accounts Payable</b>		
Highway 3 Regional Water Services Commission	\$ 6,574	\$ 5,557
Taber & District Regional Waste Management Authority	1,879	-
Vauxhall & District Regional Water Services Commission	<u>9,996</u>	<u>102,044</u>
	<u>\$ 18,449</u>	<u>\$ 107,601</u>

**Municipal District of Taber  
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**20. FINANCIAL INSTRUMENTS**

The Municipality's financial instruments consist of cash and temporary investments, receivables, investments, other financial assets, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Municipality is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The Municipal District of Taber 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 municipality provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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**21. COMPARATIVE FIGURES**

The comparative figures have been reclassified where necessary to conform to the current year's presentation.

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**22. BUDGET INFORMATION**

The disclosed budget information has been approved by the Reeve and Council of the Municipal District of Taber on December 10, 2013.

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**23. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management approved these financial statements.