

**MUNICIPAL DISTRICT OF TABER**

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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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, 2018 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 Professional 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.



Reeve



Municipal Administrator



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## INDEPENDENT AUDITORS' REPORT

To the Members of Council of the Municipal District of Taber

### **Opinion**

We have audited the consolidated financial statements of the Municipal District of Taber (the Municipality), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2018, and its consolidated results of operations, changes in 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



## ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Municipality'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 Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 Municipality'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 Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- 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.

*KPMG LLP*

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Chartered Professional Accountants

Lethbridge, Canada

April 9, 2019

**Municipal District of Taber  
Consolidated Statement of Financial Position  
As at December 31, 2018**

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 3)	20,287,660	20,947,069
Receivables		
Taxes and grants in lieu receivables (Note 4)	419,144	440,355
Trade and other receivables	2,271,374	909,967
Land for resale inventory	1,229,566	1,277,197
Long-term-investments (Note 5)	34,236	37,299
Other financial assets (Note 6)	293,898	68,678
	<u>24,535,878</u>	<u>23,680,565</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,997,475	1,586,089
Deferred revenue (Note 7)	3,956,458	2,428,443
Employee benefit obligations (Note 8)	325,100	315,999
Trust funds (Note 9)	132,637	105,288
Long-term debt (Note 11)	2,275,769	2,549,413
	<u>8,687,439</u>	<u>6,985,232</u>
<b>NET FINANCIAL ASSETS</b>	<u>15,848,439</u>	<u>16,695,333</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 13)	129,107,707	127,363,907
Inventory for consumption	6,001,368	5,844,873
Prepaid expenses	264,757	258,901
	<u>135,373,832</u>	<u>133,467,681</u>
<b>ACCUMULATED SURPLUS (Schedule 1, Note 15)</b>	<u>151,222,271</u>	<u>150,163,014</u>

*Contingencies - See Note 20*

**Municipal District of Taber**  
**Consolidated Statement of Operations and Accumulated Surplus**  
**For the Year Ended December 31, 2018**

	Budget \$	2018 \$	2017 \$
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	15,098,369	15,046,923	14,565,333
User fees and sales of goods	1,833,132	1,882,311	1,949,757
Government transfers for operating (Schedule 4)	1,202,545	2,530,735	1,056,900
Investment income	311,000	237,753	462,240
Penalties and costs of taxes	60,000	223,876	136,765
Fines	107,500	44,087	50,329
Rentals	1,838,800	2,002,641	2,043,559
Licences and permits	45,300	46,342	52,569
Insurance proceeds	-	12,136	-
Frontage levies	33,191	33,191	33,191
Well drilling taxes	-	66,272	42,272
Transfers from local boards and agencies	-	44,998	53,414
Gain on disposal of capital assets	-	85,959	1,520,355
Development levies	-	-	20,000
<b>Total Revenue</b>	<b>20,529,837</b>	<b>22,257,224</b>	<b>21,986,684</b>
<b>EXPENSES</b>			
Legislative	396,197	370,487	432,609
General administrative	2,197,856	2,928,504	2,103,316
Bylaws enforcement	205,906	239,877	354,104
GIS	372,070	334,943	366,806
Fire	1,299,375	1,221,035	1,514,476
Roads, streets, walks and lighting	10,652,528	12,632,281	10,571,397
Water and wastewater	1,812,084	1,700,043	1,723,387
Waste management	351,278	392,238	357,691
Family community support services	78,511	60,942	52,434
Agricultural services	1,635,644	1,563,649	1,465,454
Subdivision land development	14,000	94,044	16,873
Land/housing/buildings	423,407	424,356	394,027
Planning and development	513,040	479,610	420,394
Recreation and parks	949,368	930,786	1,093,634
Library	149,125	157,512	147,125
<b>Total Expenses</b>	<b>21,050,389</b>	<b>23,530,307</b>	<b>21,013,727</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER</b>	<b>(520,552)</b>	<b>(1,273,083)</b>	<b>972,957</b>
<b>OTHER</b>			
Contributed assets	-	-	8,508,372
Government transfers for capital (Schedule 4)	6,009,803	2,332,340	2,527,579
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>5,489,251</b>	<b>1,059,257</b>	<b>12,008,908</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>150,163,014</b>	<b>150,163,014</b>	<b>138,154,106</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>155,652,265</b>	<b>151,222,271</b>	<b>150,163,014</b>

**Municipal District of Taber**  
**Consolidated Statement of Changes in Net Financial Assets**  
**For the Year Ended December 31, 2018**

	Budget \$	2018 \$	2017 \$
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>5,489,251</u>	<u>1,059,257</u>	<u>12,008,908</u>
Acquisition of tangible capital assets	(11,767,102)	(6,556,385)	(11,897,264)
Contributed tangible capital assets	-	-	(8,508,372)
Proceeds on disposal of tangible capital assets	307,900	486,065	2,429,402
Amortization of tangible capital assets	4,232,077	4,412,479	4,183,310
Gain on disposal of tangible capital assets	-	(85,959)	(1,520,355)
	<u>(7,227,125)</u>	<u>(1,743,800)</u>	<u>(15,313,279)</u>
Acquisition of inventory for consumption	(5,844,873)	(6,001,368)	(5,844,873)
Acquisition of prepaid assets	(258,901)	(264,757)	(258,901)
Use of inventory for consumption	5,826,154	5,844,873	5,826,154
Use of prepaid assets	194,299	258,901	194,299
	<u>(83,321)</u>	<u>(162,351)</u>	<u>(83,321)</u>
<b>DECREASE IN NET FINANCIAL ASSETS</b>	(1,821,195)	(846,894)	(3,387,692)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>16,695,333</u>	<u>16,695,333</u>	<u>20,083,025</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>14,874,138</u>	<u>15,848,439</u>	<u>16,695,333</u>



**Municipal District of Taber  
Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2018**

	2018	2017
	\$	\$
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	1,059,257	12,008,908
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	4,412,479	4,183,310
Gain on disposal of tangible capital assets	(85,959)	(1,520,355)
Tangible capital assets received as contributions	-	(8,508,372)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivables	21,211	48,098
Decrease (increase) in trade and other receivables	(1,361,407)	(59,113)
Decrease (increase) in land held for resale	47,631	471,001
Decrease (increase) in prepaid expenses	(5,856)	(64,602)
Decrease (increase) in other financial assets	(225,220)	35,519
Decrease (increase) in inventory for consumption	(156,495)	(18,719)
Increase (decrease) in accounts payable & accrued liabilities	411,386	368,077
Increase (decrease) in trust funds	27,349	55,315
Increase (decrease) in deferred revenue	1,528,015	2,409,899
Increase (decrease) in employee benefit obligations	9,101	(367)
	<u>5,681,492</u>	<u>9,408,599</u>
Cash provided by operating transactions		
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(6,556,385)	(11,897,264)
Sale of tangible capital assets	486,065	2,429,402
	<u>(6,070,320)</u>	<u>(9,467,862)</u>
Cash applied to capital transactions		
<b>INVESTING</b>		
Decrease (increase) in investments	3,063	6,424
	<u>3,063</u>	<u>6,424</u>
Cash applied to investing transactions		
<b>FINANCING</b>		
Long-term debt repaid	(273,644)	(258,719)
	<u>(273,644)</u>	<u>(258,719)</u>
Cash applied to financing transactions		
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	(659,409)	(311,558)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>20,947,069</u>	<u>21,258,627</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>20,287,660</u></u>	<u><u>20,947,069</u></u>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 3)	<u><u>20,287,660</u></u>	<u><u>20,947,069</u></u>

**Municipal District of Taber**  
**Schedule of Changes in Accumulated Surplus**  
**For the Year Ended December 31, 2018**  
**Schedule I**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018 \$	2017 \$
<b>BALANCE, BEGINNING OF YEAR</b>	<b>9,326,284</b>	<b>16,022,236</b>	<b>124,814,494</b>	<b>150,163,014</b>	<b>138,154,106</b>
Excess of revenues over expenses	1,059,257	-	-	1,059,257	12,008,908
Unrestricted funds designated for future use	(3,385,208)	3,385,208	-	-	-
Restricted funds used for tangible capital assets	-	(3,396,592)	3,396,592	-	-
Current year funds used for tangible capital assets	(3,159,793)	-	3,159,793	-	-
Disposal of tangible capital assets	400,106	-	(400,106)	-	-
Annual amortization expense	4,412,479	-	(4,412,479)	-	-
Long term debt repaid	(273,644)	-	273,644	-	-
Change in accumulated surplus	(946,803)	(11,384)	2,017,444	1,059,257	12,008,908
<b>BALANCE, END OF YEAR</b>	<b>8,379,481</b>	<b>16,010,852</b>	<b>126,831,938</b>	<b>151,222,271</b>	<b>150,163,014</b>

**Municipal District of Taber  
Schedule of Tangible Capital Assets  
For the Year Ended December 31, 2018  
Schedule 2**

	2018					2017	
	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	\$
<b>COST:</b>							
BALANCE, BEGINNING OF YEAR	49,962,939	1,749,508	10,567,673	108,276,073	16,265,448	7,448,441	175,669,951
Acquisition of tangible capital assets	151,940	237,965	1,820,174	1,625,729	1,921,603	424,436	13,950,249
Construction-in-progress	-	-	28,297	331,612	14,629	-	6,455,387
Disposal of tangible capital assets	-	-	-	(104,503)	(1,259,493)	(179,339)	(1,805,505)
<b>BALANCE, END OF YEAR</b>	<b>50,114,879</b>	<b>1,987,473</b>	<b>12,416,144</b>	<b>110,128,911</b>	<b>16,942,187</b>	<b>7,693,538</b>	<b>199,283,132</b>
<b>ACCUMULATED AMORTIZATION:</b>							
BALANCE, BEGINNING OF YEAR	-	171,874	1,131,422	53,609,844	7,800,637	4,192,398	63,619,323
Annual amortization	-	52,837	245,209	2,652,173	979,856	482,404	4,412,479
Accumulated amortization on disposals	-	-	-	(66,882)	(902,518)	(173,829)	(896,458)
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>224,711</b>	<b>1,376,631</b>	<b>56,195,135</b>	<b>7,877,975</b>	<b>4,500,973</b>	<b>66,906,175</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>50,114,879</b>	<b>1,762,762</b>	<b>11,039,513</b>	<b>53,933,776</b>	<b>9,064,212</b>	<b>3,192,565</b>	<b>129,107,707</b>
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	49,962,939	1,577,634	9,436,251	54,666,229	8,464,811	3,256,043	127,363,907

**Municipal District of Taber  
Schedule of Property and Other Taxes  
For the Year Ended December 31, 2018  
Schedule 3**

	Budget	2018 \$	2017 \$
<b>TAXATION</b>			
Property taxes levied	20,596,644	20,535,849	20,349,910
Government grants in place of property taxes	13,679	13,679	13,211
	<u>20,610,323</u>	<u>20,549,528</u>	<u>20,363,121</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	5,139,329	5,137,440	5,439,371
Designated Industrial Assessment	38,038	37,824	-
Holy Spirit School Division	132,979	126,289	126,290
Taber Seniors Foundation	201,608	201,052	232,127
	<u>5,511,954</u>	<u>5,502,605</u>	<u>5,797,788</u>
<b>NET MUNICIPAL TAXES</b>	<u>15,098,369</u>	<u>15,046,923</u>	<u>14,565,333</u>

**Municipal District of Taber  
Schedule of Government Transfers  
For the Year Ended December 31, 2018  
Schedule 4**

	Budget	2018 \$	2017 \$
<b>TRANSFERS FOR OPERATING:</b>			
Provincial Government	1,120,743	2,451,749	1,003,482
Federal Government	-	3,264	-
Other Local Governments	81,802	75,722	53,418
	<u>1,202,545</u>	<u>2,530,735</u>	<u>1,056,900</u>
 <b>TRANSFERS FOR CAPITAL:</b>			
Provincial Government	5,614,183	1,862,622	2,213,170
Federal Government	395,620	469,718	314,409
	<u>6,009,803</u>	<u>2,332,340</u>	<u>2,527,579</u>
 <b>TOTAL GOVERNMENT TRANSFERS</b>	 <u>7,212,348</u>	 <u>4,863,075</u>	 <u>3,584,479</u>

**Municipal District of Taber  
Schedule of Consolidated Expenses by Object  
For the Year Ended December 31, 2018  
Schedule 5**

	Budget \$	2018 \$	2017 \$
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	8,009,490	8,698,905	7,937,046
Contracted and general services	2,474,440	2,983,930	2,120,309
Purchase from other governments	427,681	423,663	587,953
Materials, goods, supplies and utilities	4,221,738	4,539,614	4,760,884
Provision for allowances	317,000	1,028,936	234,852
Bank charges and short term interest	3,000	5,043	3,299
Grants to individuals and organizations	1,217,605	1,300,189	1,033,068
Interest on long term debt	147,358	137,548	153,006
Amortization of tangible capital assets	4,232,077	4,412,479	4,183,310
	<u>21,050,389</u>	<u>23,530,307</u>	<u>21,013,727</u>

**Municipal District of Taber**  
**Schedule of Segmented Disclosure**  
**For the Year Ended December 31, 2018**  
**Schedule 6**

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health	Planning & Development	Recreation & Culture	Total
								\$
<b>REVENUE</b>								
Net municipal taxes	15,046,923	-	-	-	-	-	-	15,046,923
Government transfers	-	75,722	3,868,289	201,421	-	301,692	415,951	4,863,075
Sales and user charges	202,633	260,233	142,117	1,036,835	-	65,476	175,017	1,882,311
Investment income	237,753	-	-	-	-	-	-	237,753
Other revenues	290,148	80,345	179,396	33,191	-	1,967,682	8,740	2,559,502
	<u>15,777,457</u>	<u>416,300</u>	<u>4,189,802</u>	<u>1,271,447</u>	<u>-</u>	<u>2,334,850</u>	<u>599,708</u>	<u>24,589,564</u>
<b>EXPENSES</b>								
Salaries, wages and benefits	1,551,948	591,829	4,481,435	651,189	-	1,391,296	31,208	8,698,905
Contracted and general services	542,355	276,339	1,114,771	449,768	-	518,941	141,801	3,043,975
Materials, goods, supplies and utilities	102,951	421,385	3,045,352	555,465	-	622,606	155,473	4,903,232
Transfers to other governments and boards	26,829	-	321,357	-	60,942	212,646	678,415	1,300,189
Interest on long term debt	-	-	-	137,548	-	-	-	137,548
Other Expenses	1,033,979	-	-	-	-	-	-	1,033,979
	<u>3,258,062</u>	<u>1,289,553</u>	<u>8,962,915</u>	<u>1,793,970</u>	<u>60,942</u>	<u>2,745,489</u>	<u>1,006,897</u>	<u>19,117,828</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	<u>12,519,395</u>	<u>(873,253)</u>	<u>(4,773,113)</u>	<u>(522,523)</u>	<u>(60,942)</u>	<u>(410,639)</u>	<u>(407,189)</u>	<u>5,471,736</u>
Amortization	40,929	171,359	3,669,366	298,311	-	151,113	81,401	4,412,479
<b>NET REVENUE</b>	<u>12,478,466</u>	<u>(1,044,612)</u>	<u>(8,442,479)</u>	<u>(820,834)</u>	<u>(60,942)</u>	<u>(561,752)</u>	<u>(488,590)</u>	<u>1,059,257</u>

**Municipal District of Taber  
Notes to Financial Statements  
For the Year Ended December 31, 2018**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Municipal District of Taber are the representations of management prepared in accordance with 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 fund balances and change 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 municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources. Included with the municipality is 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 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 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 financial statements, and the reported amounts of revenue and expenses 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.



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

**f) Inventory 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) Tax Revenue**

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

**h) Landfill Closure and Post-Closure Liability**

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Municipality is required to fund the closure of its landfill sites and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. This requirement is estimated to be immaterial and the post closure activities will be performed by municipal forces as landfill closures occur in the future. Therefore the related liability has not been recorded in these financial statements.

**i) 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.

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

	PERCENT	YEARS
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

Full annual amortization is charged in the year of acquisition and none in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**Municipal District of Taber  
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**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. Inventory for Consumption**

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

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**2. FUTURE ACCOUNTING PRONOUNCEMENTS & ADOPTION OF NEW STANDARDS**

**a) Future Accounting Pronouncements**

The following summarizes the upcoming changes to the Public Sector Accounting Standards by the Public Sector Accounting Standards Board (PSAB). In 2019, the Municipality will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently.

**i. PS 1201 - Financial statement presentation**

The implementation of this standard requires a new statement of re-measurement gains and losses separate from the statement of operations. This new statement will include the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in a foreign currency. This standard is effective for fiscal years beginning on or after April 1, 2021.

**ii. PS 3450 - Financial instruments**

This section establishes recognition, measurement, and disclosure requirements for derivative and non-derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments; all other financial instruments can be measured at either cost or fair value depending upon elections made by the government. Unrealized gains and losses will be presented on the new statement of re-measurement gains and losses arising from the adoption of PS 1201. There will also be a requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. As the Municipality does not invest in derivatives or equity instruments based on its investment policy, it is anticipated that the adoption of this standard will have a minimal impact on the Municipality. This standard is effective for fiscal years beginning on or after April 1, 2021.

**iii. PS 2601 - Foreign currency translation**

This section establishes guidance on the recognition, measurement, presentation and disclosure of assets and liabilities denominated in foreign currencies. The Section requires monetary assets and liabilities, denominated in a foreign currency and non-monetary items valued at fair value denominated in a foreign currency to be adjusted to reflect the exchange rates in effect at the financial statement date. The resulting unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is effective for fiscal years beginning on or after April 1, 2021.

**iv. PS 3041 - Portfolio investments**

This section removes the distinction between temporary and portfolio investments and provides additional guidance on recognition, measurement, presentation and disclosure of portfolio investments. Upon adoption of this section and PS 3450, PS 3040 - Portfolio investments will no longer be applicable. This standard is effective for fiscal years beginning on or after April 1, 2021.

**v. PS 3430 - Restructuring transactions**

This section provides guidance on the recognition, measurement and presentation of restructuring transactions by both the transferor and recipients of assets and/or liabilities, together with related program or operating responsibilities. This section is effective for fiscal years beginning on or after April 1, 2018.

**Municipal District of Taber  
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**vi. PS 3280 – Asset retirement obligations**

This section provides guidance on how to account for and report a liability for retirement of a tangible capital asset. This section is effective for fiscal years beginning on or after April 1, 2021.

**vii. PS 3400 – Revenue**

This section provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions. This section is effective for fiscal years beginning on or after April 1, 2022.

The requirements in PS 1201, PS 3450, PS 2601 and PS 3041 are required to be implemented at the same time.

**b) Adoption of new accounting standards**

The Municipality has prospectively adopted the following standards effective January 1, 2018:

**i. PS 2200 - Related party disclosures**

Defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.

**ii. PS 3420 - Inter-entity transactions**

Establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

**iii. PS 3210 - Assets**

Provides guidance for applying the definition of assets set out in PS 1000 - Financial statement concepts and establishes general disclosure standards for assets.

**iv. PS 3320 - Contingent assets**

Defines and establishes disclosure standards for contingent assets.

**v. PS 3380 - Contractual rights**

Defines and establishes disclosure standards on contractual rights.

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**3. CASH AND TEMPORARY INVESTMENTS**

	<u>2018</u>	<u>2017</u>
Cash	\$ 1,277,169	\$ 936,806
Temporary Investments	<u>19,010,491</u>	<u>20,010,263</u>
	<u>\$ 20,287,660</u>	<u>\$ 20,947,069</u>

Temporary investments are demand deposit accounts, with notice of 31 days and 90 days required in order to access funds, with interest rates ranging from 2.3% to 2.5%, as well as cashable guaranteed investment certificates (GICs), with interest rates ranging from 2.475% to 2.54%.

Council has designated funds of \$9,850,740 (2017 - \$9,862,124) included in the above amounts for equipment replacement.

Included in temporary investments is a restricted amount of \$3,956,458 (2017 – \$2,428,443) received from senior levels of government and held exclusively for capital projects (Note 7).

**Municipal District of Taber  
Notes to Financial Statements  
For the Year Ended December 31, 2018**

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**4. TAXES AND GRANTS IN LIEU RECEIVABLES**

	<u>2018</u>	<u>2017</u>
Current taxes and grants in place of taxes	\$ 1,535,022	\$ 619,742
Arrears taxes	<u>974,866</u>	<u>658,037</u>
	2,509,888	1,277,779
Less allowance for doubtful accounts	<u>(2,090,744)</u>	<u>(837,424)</u>
	<u>\$ 419,144</u>	<u>\$ 440,355</u>

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**5. LONG-TERM INVESTMENTS**

	<u>2018</u>	<u>2017</u>
A.M.F.C. Shares	\$ 120	\$ 120
CO-OP Equity	30,000	30,880
U.F.A. Equity	<u>4,116</u>	<u>6,299</u>
	<u>\$ 34,236</u>	<u>\$ 37,299</u>

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

	<u>2018</u>	<u>2017</u>
Alberta School Requisition (Over)/Under-levy	\$ 280,834	\$ 65,772
Designated Industrial Property (Over)/Under-levy	3,334	-
Taber Seniors Foundation (Over)/Under-levy	<u>9,730</u>	<u>2,906</u>
	<u>\$ 293,898</u>	<u>\$ 68,678</u>

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**7. DEFERRED REVENUE**

	<u>2018</u>	<u>2017</u>
Federal Gas Tax Fund	\$ 13,328	\$ -
Alberta Community Resilience Program	\$ 2,281,761	\$ 2,295,110
Municipal Sustainability Initiative	\$ 1,661,369	\$ -
Regional Collaboration Program	<u>\$ -</u>	<u>\$ 133,333</u>
	<u>\$ 3,956,458</u>	<u>\$ 2,428,443</u>

Funding in the amount of \$3,956,458 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 2019. Unexpended funds related to the advances are supported by temporary investments of \$3,956,458 held exclusively for these projects (refer Note 3).

**Municipal District of Taber  
Notes to Financial Statements  
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**8. EMPLOYEE BENEFIT OBLIGATIONS**

	<u>2018</u>	<u>2017</u>
Vacation	\$ 296,461	\$ 288,018
Overtime	28,639	27,981
	<u>\$ 325,100</u>	<u>\$ 315,999</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 (and are vested) or are entitled to these benefits within the next budgetary year.

**9. TRUST FUNDS**

A summary of trust fund activities by the Municipal District of Taber is as follows:

	<u>2018</u>	<u>2017</u>
<b>Subdivisions</b>		
Balance at beginning of year	\$ 105,288	\$ 49,973
Net revenue of land held for resale subdivided and sold	25,268	74,598
Investment income	2,081	717
Community enhancement expenditures	-	(20,000)
	<u>\$ 132,637</u>	<u>\$ 105,288</u>

**10. CONTAMINATED SITES LIABILITY**

On January 1, 2015, the Municipality adopted PS3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustment to the financial liabilities, tangible capital assets or accumulated surplus of the Municipality.

**11. LONG TERM DEBT**

	<u>2018</u>	<u>2017</u>
Alberta Municipal Financing Corporation debenture debt bearing interest at rates ranging from 5.75% to 5.875% per annum maturing in periods from 2024 through 2028.	\$ 2,275,769	\$ 2,549,413
	<u>2,275,769</u>	<u>2,549,413</u>
Less principal portion due within one year	<u>289,429</u>	<u>273,644</u>
	<u>\$ 1,986,340</u>	<u>\$ 2,275,769</u>

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	289,429	131,572	421,001
2020	306,126	114,875	421,001
2021	323,787	97,215	421,002
2022	342,465	78,537	421,002
2023	362,222	58,780	421,002
Thereafter	651,740	78,462	730,202
	<u>\$ 2,275,769</u>	<u>\$ 559,441</u>	<u>\$ 2,835,210</u>

Interest on long-term debt amounted to \$137,548 (2017 – \$153,006).

The Municipal District's total cash payments for interest in 2018 were \$147,358 (2017 – \$162,283).

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**12. 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>2018</u>	<u>2017</u>
Total debt limit	\$ 33,385,836	\$ 32,980,026
Total debt	<u>2,275,769</u>	<u>\$ 2,549,413</u>
Amount of debt limit unused	<u>\$ 31,110,067</u>	<u>\$ 30,430,613</u>
Service on debt limit	\$ 5,564,306	\$ 5,496,671
Service on debt	<u>421,001</u>	<u>421,002</u>
Amount of debt servicing unused	<u>\$ 5,143,305</u>	<u>\$ 5,075,669</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.

**13. TANGIBLE CAPITAL ASSETS**

	<u>2018</u> <u>Net Book Value</u>	<u>2017</u> <u>Net Book Value</u>
Land	\$ 50,114,879	\$ 49,962,939
Land Improvements	1,762,762	1,577,634
Buildings	11,011,216	2,558,880
Buildings – construction-in-progress	28,297	6,877,371
Engineered Structures		
Roadway system	44,558,864	45,391,329
Roadway system – construction-in-progress	331,612	126,612
Water distribution system	5,351,109	5,331,284
Wastewater treatment system	2,788,435	2,859,693
Communication System	903,756	957,311
Machinery, equipment and furnishings	9,049,583	8,464,811
Machinery, equipment – construction-in-progress	14,629	-
Vehicles	<u>3,192,565</u>	<u>3,256,043</u>
	<u>\$ 129,107,707</u>	<u>\$ 127,363,907</u>

**14. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<u>2018</u>	<u>2017</u>
Tangible capital assets (Schedule 2)	\$ 199,283,132	\$ 194,270,082
Accumulated amortization (Schedule 2)	(70,175,425)	(66,906,175)
Long-term debt (Note 11)	<u>(2,275,769)</u>	<u>(2,549,413)</u>
	<u>\$ 126,831,938</u>	<u>\$ 124,814,494</u>

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

	<u>2018</u>	<u>2017</u>
Unrestricted surplus	\$ 8,379,481	\$ 9,326,284
Restricted surplus		
Operating reserve	6,160,112	6,160,112
Capital reserve	9,850,740	9,862,124
Equity in tangible capital assets	<u>126,831,938</u>	<u>124,814,494</u>
	<u>\$ 151,222,271</u>	<u>\$ 150,163,014</u>

**16. 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>2018</u>			<u>2017</u>
	Salary <sup>1</sup>	Benefits & allowances <sup>2</sup>	Total	Total
Councillors:				
Division 1	\$ 31,102	\$ 8,682	\$ 39,784	\$ 36,420
Division 2	30,023	8,674	38,697	35,247
Division 3	34,696	8,801	43,497	63,433
Division 4	26,056	8,566	34,622	52,899
Division 5	29,443	8,627	38,070	54,409
Division 6	23,637	8,486	32,123	29,632
Division 7	21,287	8,390	29,677	47,306
Municipal Administrator <sup>3</sup>	193,193	37,163	230,356	221,473
Designated officers <sup>3</sup> (6 positions)	727,080	193,608	920,688	908,436

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.

**17. 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 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount.

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Total current service contributions by the Municipal District of Taber to the LAPP in 2018 were \$540,387 (2017 - \$555,067). Total current service contributions by the employees of the Municipal District of Taber to the Local Authorities Pension Plan in 2018 were \$493,397 (2017 - \$511,483).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.84 billion (2016 - deficit of \$637 million).

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**18. 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 Plan 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 service contributions to APEX of 2.84% (2017 - 2.5%) and 3.78% (2017 - 3.0%) respectively of pensionable earnings up to \$147,222 (2017 - \$145,722).

Total current service contributions by the Municipal District of Taber to APEX in 2018 were \$53,741 (2017 - \$46,766). Total current service contributions by the employees of the Municipal District of Taber to APEX in 2018 were \$40,377 (2017 - \$35,136).

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**19. SEGMENTED DISCLOSURE**

The Municipal District of Taber provides a range of services to its ratepayers. 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)

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**20. CONTINGENCIES**

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.

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.

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**21. CONTRACTUAL RIGHTS**

The Municipal District of Taber has entered into several land rent and oil lease agreements with various third parties. These agreements are individually insignificant. The timing and extent of future revenues from each agreement varies based on its terms. Revenue from land rent and oil leases for 2018 was \$1,841,267.



**Municipal District of Taber  
Notes to Financial Statements  
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**22. RELATED PARTIES**

During the year, the Municipal District of Taber carried out transactions with related parties. The accounts receivable and account payable included amounts from related parties as follows:

	<u>2018</u>	<u>2017</u>
<b>Accounts Receivable</b>		
Highway 3 Regional Water Services Commission	\$ 97,768	\$ 97,768
Vauxhall & District Regional Water Services Commission	-	-
	<u>\$ 97,768</u>	<u>\$ 97,768</u>
<b>Accounts Payable</b>		
Highway 3 Regional Water Services Commission	\$ 7,951	\$ 7,573
Vauxhall & District Regional Water Services Commission	14,755	14,474
	<u>\$ 22,706</u>	<u>\$ 22,047</u>

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**23. FINANCIAL INSTRUMENTS**

The Municipality's financial instruments consist of cash and temporary investments, receivables, land held for resale, investments, prepaid expenses, 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.

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

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**24. BUDGET INFORMATION**

The disclosed budget information has been approved by the Reeve and Council of the Municipal District of Taber on December 12, 2017.

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**25. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management approved these financial statements.

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**26. COMPARATIVE FIGURES**

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