

MUNICIPAL DISTRICT OF TABER

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
AND INDEPENDENT AUDITORS' REPORT THEREON

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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, 2019 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, 2019
- 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 and schedules 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, 2019, 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

Chartered Professional Accountants

Lethbridge, Canada

April 14, 2020

**Municipal District of Taber
Consolidated Statement of Financial Position
As at December 31, 2019**

	2019	2018
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 3)	22,677,696	20,287,660
Receivables		
Taxes and grants in lieu receivables (Note 4)	299,266	419,144
Trade and other receivables	1,428,538	2,271,374
Land for resale inventory	1,121,197	1,229,566
Long-term-investments (Note 5)	35,596	34,236
Other financial assets (Note 6)	205,342	293,898
	<u>25,767,635</u>	<u>24,535,878</u>
LIABILITIES		
Accounts payable and accrued liabilities	823,298	1,997,475
Deferred revenue (Note 7)	4,886,988	3,956,458
Employee benefit obligations (Note 8)	269,285	325,100
Trust funds (Note 9)	134,120	132,637
Long-term debt (Note 11)	1,986,340	2,275,769
	<u>8,100,031</u>	<u>8,687,439</u>
NET FINANCIAL ASSETS	<u>17,667,604</u>	<u>15,848,439</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	128,103,586	129,107,707
Inventory for consumption	6,293,694	6,001,368
Prepaid expenses	235,708	264,757
	<u>134,632,988</u>	<u>135,373,832</u>
ACCUMULATED SURPLUS (Schedule 1, Note 15)	<u>152,300,592</u>	<u>151,222,271</u>

Contingencies - See Note 20

Municipal District of Taber
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2019

	Budget \$	2019 \$	2018 \$
REVENUE			
Net municipal property taxes (Schedule 3)	15,603,626	15,595,777	15,046,923
User fees and sales of goods	1,707,604	2,057,825	1,882,311
Government transfers for operating (Schedule 4)	1,356,681	1,383,929	2,530,735
Investment income	425,000	281,728	237,753
Penalties and costs of taxes	75,000	209,057	223,876
Fines	40,000	50,070	44,087
Rentals	1,893,800	1,855,543	2,002,641
Licences and permits	45,300	48,133	46,342
Insurance proceeds	-	14,273	12,136
Frontage levies	33,191	33,191	33,191
Well drilling taxes	35,000	23,331	66,272
Transfers from local boards and agencies	-	39,723	44,998
Development levies	-	15,000	-
Gain on disposal of capital assets	-	-	85,959
Total Revenue	21,215,202	21,607,580	22,257,224
EXPENSES			
Legislative	391,112	325,023	370,487
General administrative	2,792,326	2,510,810	2,928,504
Bylaws enforcement	231,198	242,600	239,877
GIS	411,127	365,023	334,943
Fire	1,255,400	1,269,155	1,221,035
Roads, streets, walks and lighting	10,490,696	10,454,625	12,632,281
Water and wastewater	1,814,062	1,744,139	1,700,043
Waste management	406,519	437,413	392,238
Family community support services	54,587	54,586	60,942
Agricultural services	1,674,428	1,487,657	1,563,649
Subdivision land development	64,000	40,322	94,044
Land/housing/buildings	386,029	396,858	424,356
Planning and development	579,848	565,803	479,610
Recreation and parks	1,044,389	1,182,516	930,786
Library	154,903	160,571	157,512
Total Expenses	21,750,624	21,237,101	23,530,307
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	(535,422)	370,479	(1,273,083)
OTHER			
Government transfers for capital (Schedule 4)	6,017,000	707,842	2,332,340
EXCESS OF REVENUE OVER EXPENSES	5,481,578	1,078,321	1,059,257
ACCUMULATED SURPLUS, BEGINNING OF YEAR	151,222,271	151,222,271	150,163,014
ACCUMULATED SURPLUS, END OF YEAR	156,703,849	152,300,592	151,222,271

Municipal District of Taber
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2019

	Budget \$	2019 \$	2018 \$
EXCESS OF REVENUE OVER EXPENSES	<u>5,481,578</u>	<u>1,078,321</u>	<u>1,059,257</u>
Acquisition of tangible capital assets	(9,928,230)	(4,128,633)	(6,556,385)
Proceeds on disposal of tangible capital assets	573,000	737,515	486,065
Amortization of tangible capital assets	4,412,478	4,304,694	4,412,479
(Gain) loss on disposal of tangible capital assets	-	90,545	(85,959)
	<u>(4,942,752)</u>	<u>1,004,121</u>	<u>(1,743,800)</u>
Acquisition of inventory for consumption	(6,001,368)	(6,293,694)	(6,001,368)
Acquisition of prepaid assets	(264,757)	(235,708)	(264,757)
Use of inventory for consumption	5,844,873	6,001,368	5,844,873
Use of prepaid assets	258,901	264,757	258,901
	<u>(162,351)</u>	<u>(263,277)</u>	<u>(162,351)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	376,475	1,819,165	(846,894)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>15,848,439</u>	<u>15,848,439</u>	<u>16,695,333</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>16,224,914</u></u>	<u><u>17,667,604</u></u>	<u><u>15,848,439</u></u>

**Municipal District of Taber
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2019**

	2019	2018
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	1,078,321	1,059,257
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	4,304,694	4,412,479
(Gain) loss on disposal of tangible capital assets	90,545	(85,959)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivables	119,878	21,211
Decrease (increase) in trade and other receivables	842,836	(1,361,407)
Decrease (increase) in land held for resale	108,369	47,631
Decrease (increase) in prepaid expenses	29,049	(5,856)
Decrease (increase) in other financial assets	88,556	(225,220)
Decrease (increase) in inventory for consumption	(292,326)	(156,495)
Increase (decrease) in accounts payable & accrued liabilities	(1,174,177)	411,386
Increase (decrease) in trust funds	1,483	27,349
Increase (decrease) in deferred revenue	930,530	1,528,015
Increase (decrease) in employee benefit obligations	(55,815)	9,101
Cash provided by operating transactions	<u>6,071,943</u>	<u>5,681,492</u>
CAPITAL		
Acquisition of tangible capital assets	(4,128,633)	(6,556,385)
Proceeds on disposal of tangible capital assets	737,515	486,065
Cash applied to capital transactions	<u>(3,391,118)</u>	<u>(6,070,320)</u>
INVESTING		
Decrease (increase) in investments	(1,360)	3,063
Cash applied to investing transactions	<u>(1,360)</u>	<u>3,063</u>
FINANCING		
Long-term debt repaid	(289,429)	(273,644)
Cash applied to financing transactions	<u>(289,429)</u>	<u>(273,644)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	2,390,036	(659,409)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	20,287,660	20,947,069
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>22,677,696</u>	<u>20,287,660</u>
Cash and cash equivalents consists of:		
Cash and temporary investments (Note 3)	<u>22,677,696</u>	<u>20,287,660</u>

Municipal District of Taber
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2019
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019 \$	2018 \$
BALANCE, BEGINNING OF YEAR	8,379,481	16,010,852	126,831,938	151,222,271	150,163,014
Excess of revenues over expenses	1,078,321	-	-	1,078,321	1,059,257
Unrestricted funds designated for future use	(2,385,208)	2,385,208	-	-	-
Restricted funds used for tangible capital assets	-	(1,377,869)	1,377,869	-	-
Current year funds used for tangible capital assets	(2,750,764)	-	2,750,764	-	-
Disposal of tangible capital assets	828,060	-	(828,060)	-	-
Annual amortization expense	4,304,694	-	(4,304,694)	-	-
Long term debt repaid	(289,429)	-	289,429	-	-
Change in accumulated surplus	785,674	1,007,339	(714,692)	1,078,321	1,059,257
BALANCE, END OF YEAR	9,165,155	17,018,191	126,117,246	152,300,592	151,222,271

Municipal District of Taber
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2019
Schedule 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2019	2018
							\$	\$
COST:								
BALANCE, BEGINNING OF YEAR	50,114,879	1,987,473	12,416,144	110,128,911	16,942,187	7,593,538	199,283,132	194,270,082
Acquisition of tangible capital assets	528,000	-	46,244	1,037,394	1,736,980	357,724	3,706,342	6,181,847
Construction-in-progress	-	-	-	422,291	-	-	422,291	374,538
Disposal of tangible capital assets	-	-	-	(78,273)	(1,343,398)	(244,598)	(1,666,269)	(1,543,335)
BALANCE, END OF YEAR	50,642,879	1,987,473	12,462,388	111,510,323	17,335,769	7,306,664	201,745,496	199,283,132
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	224,711	1,376,631	56,195,135	7,877,975	4,500,973	70,175,425	66,906,175
Annual amortization	-	52,837	156,842	2,569,370	1,024,201	501,444	4,304,694	4,412,479
Accumulated amortization on disposals	-	-	-	(78,273)	(525,115)	(234,818)	(838,209)	(1,143,229)
BALANCE, END OF YEAR	-	277,548	1,533,473	58,686,232	8,377,055	4,767,599	73,641,910	70,175,425
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	50,642,879	1,709,925	10,928,915	52,824,091	8,958,711	3,039,065	128,103,586	129,107,707
2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	50,114,879	1,762,762	11,039,513	53,933,776	9,064,212	3,192,565	129,107,707	

**Municipal District of Taber
Schedule of Property and Other Taxes
For the Year Ended December 31, 2019
Schedule 3**

	Budget	2019 \$	2018 \$
TAXATION			
Property taxes levied	21,331,005	21,323,590	20,535,849
Government grants in place of property taxes	13,679	11,400	13,679
	<u>21,344,684</u>	<u>21,334,990</u>	<u>20,549,528</u>
REQUISITIONS			
Alberta School Foundation Fund	5,304,059	5,302,260	5,137,440
Designated Industrial Assessment	84,830	84,873	37,824
Holy Spirit School Division	130,868	130,882	126,289
Taber Seniors Foundation	221,301	221,198	201,052
	<u>5,741,058</u>	<u>5,739,213</u>	<u>5,502,605</u>
NET MUNICIPAL TAXES	<u>15,603,626</u>	<u>15,595,777</u>	<u>15,046,923</u>

**Municipal District of Taber
Schedule of Government Transfers
For the Year Ended December 31, 2019
Schedule 4**

	Budget	2019 \$	2018 \$
TRANSFERS FOR OPERATING:			
Provincial Government	1,273,310	1,296,404	2,451,749
Federal Government	-	-	3,264
Other Local Governments	83,371	87,525	75,722
	<u>1,356,681</u>	<u>1,383,929</u>	<u>2,530,735</u>
 TRANSFERS FOR CAPITAL:			
Provincial Government	5,621,000	693,769	1,862,622
Federal Government	396,000	14,073	469,718
	<u>6,017,000</u>	<u>707,842</u>	<u>2,332,340</u>
 TOTAL GOVERNMENT TRANSFERS	 <u>7,373,681</u>	 <u>2,091,771</u>	 <u>4,863,075</u>

Municipal District of Taber
Schedule of Consolidated Expenses by Object
For the Year Ended December 31, 2019
Schedule 5

	Budget \$	2019 \$	2018 \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	8,615,593	8,251,027	8,916,199
Contracted and general services	2,591,534	2,438,819	3,027,388
Purchase from other governments	708,205	612,183	423,663
Materials, goods, supplies and utilities	4,697,013	4,352,797	4,713,449
Provision for allowances	917,000	645,954	1,028,936
Bank charges and short term interest	3,000	5,743	5,043
Grants to individuals and organizations	962,459	997,700	1,300,189
Interest on long term debt	131,572	121,197	137,548
Amortization of tangible capital assets	4,412,478	4,304,694	4,412,479
Loss on disposal of tangible capital assets	-	90,545	-
Expenditures capitalized for construction	(1,288,230)	(583,558)	(434,587)
	<u>21,750,624</u>	<u>21,237,101</u>	<u>23,530,307</u>

Municipal District of Taber
Schedule of Segmented Disclosure
For the Year Ended December 31, 2019
Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health	Planting & Development	Recreation & Culture	Total
								\$
REVENUE								
Net municipal taxes	15,595,777	-	-	-	-	-	-	15,595,777
Government transfers	56,398,00	90,025	1,380,296	-	-	332,509	182,543	2,091,771
Sales and user charges	123,991	279,387	234,120	1,108,149	-	124,808	187,370	2,057,825
Investment income	281,728	-	-	-	-	-	-	281,728
Other revenues	232,388	59,958	83,039	33,191	-	1,834,910	44,835	2,288,321
	<u>16,290,282</u>	<u>429,370</u>	<u>1,697,455</u>	<u>1,141,340</u>	<u>-</u>	<u>2,342,227</u>	<u>414,748</u>	<u>22,315,422</u>
EXPENSES								
Salaries, wages and benefits	1,322,189	614,210	4,071,031	729,275	-	1,370,782	143,540	8,251,027
Contracted and general services	725,221	221,904	484,148	272,506	-	517,268	217,772	2,438,819
Purchase from other governments	2,165	68,505	-	541,513	-	-	-	612,183
Materials, goods, supplies and utilities	80,067	437,899	2,847,468	223,557	-	603,156	160,650	4,352,797
Transfers to other governments and boards	-	-	-	-	54,586	214,479	728,635	997,700
Interest on long term debt	-	-	-	121,197	-	-	-	121,197
Other Expenses	651,697	-	(493,013)	-	-	-	-	158,684
	<u>2,781,339</u>	<u>1,342,518</u>	<u>6,909,634</u>	<u>1,888,048</u>	<u>54,586</u>	<u>2,705,685</u>	<u>1,250,597</u>	<u>16,932,407</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, BEFORE AMORTIZATION	<u>13,508,943</u>	<u>(913,148)</u>	<u>(5,212,179)</u>	<u>(746,708)</u>	<u>(54,586)</u>	<u>(363,458)</u>	<u>(835,849)</u>	<u>5,383,015</u>
Amortization	54,494	169,237	3,544,991	293,504	-	149,978	92,490	4,304,694
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>13,454,449</u>	<u>(1,082,385)</u>	<u>(8,757,170)</u>	<u>(1,040,212)</u>	<u>(54,586)</u>	<u>(513,436)</u>	<u>(928,339)</u>	<u>1,078,321</u>

Municipal District of Taber
Notes to Financial Statements
For the Year Ended December 31, 2019

1. 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 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 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 measurement 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, 2019**

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 assets 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		25-80
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
Notes to Financial Statements
For the Year Ended December 31, 2019**

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.

2. FUTURE ACCOUNTING PRONOUNCEMENTS & 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 2020, 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 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.

**Municipal District of Taber
Notes to Financial Statements
For the Year Ended December 31, 2019**

vi. 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 PS 3430 – Restructuring transactions effective January 1, 2019. 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. The adoption of this standard did not affect the financial statements.

3. CASH AND TEMPORARY INVESTMENTS

	<u>2019</u>	<u>2018</u>
Cash	\$ 22,666,944	\$ 1,277,169
Temporary Investments	<u>10,752</u>	<u>19,010,491</u>
	<u>\$ 22,677,696</u>	<u>\$ 20,287,660</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 a bank account, with interest rates ranging from 2.05% to 2.40%.

Council has designated funds of \$10,858,079 (2018 - \$9,850,740) included in the above amounts for equipment replacement.

Included in cash and temporary investments is a restricted amount of \$4,886,988 (2018 – \$3,956,458) received from senior levels of government and held exclusively for capital projects (Note 7).

4. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2019</u>	<u>2018</u>
Current taxes and grants in place of taxes	\$ 1,985,034	\$ 1,535,022
Arrears taxes	<u>407,387</u>	<u>974,866</u>
	2,392,421	2,509,888
Less allowance for doubtful accounts	<u>(2,093,155)</u>	<u>(2,090,744)</u>
	<u>\$ 299,266</u>	<u>\$ 419,144</u>

5. LONG-TERM INVESTMENTS

	<u>2019</u>	<u>2018</u>
A.M.F.C. Shares	\$ 120	\$ 120
CO-OP Equity	31,360	30,000
U.F.A. Equity	<u>4,116</u>	<u>4,116</u>
	<u>\$ 35,596</u>	<u>\$ 34,236</u>

**Municipal District of Taber
Notes to Financial Statements
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6. OTHER FINANCIAL ASSETS/(LIABILITIES)

	<u>2019</u>	<u>2018</u>
Alberta School Requisition (Over)/Under-levy	\$ 179,398	\$ 280,834
Designated Industrial Property (Over)/Under-levy	11,021	3,334
Taber Seniors Foundation (Over)/Under-levy	<u>14,923</u>	<u>9,730</u>
	<u>\$ 205,342</u>	<u>\$ 293,898</u>

7. DEFERRED REVENUE

	<u>2019</u>	<u>2018</u>
Federal Gas Tax Fund	\$ -	\$ 13,328
Alberta Community Resilience Program	\$ 2,235,935	\$ 2,281,761
Municipal Sustainability Initiative	\$ 2,603,303	\$ 1,661,369
Regional Collaboration Program	<u>\$ 47,750</u>	<u>\$ -</u>
	<u>\$ 4,886,988</u>	<u>\$ 3,956,458</u>

Funding in the amount of \$4,886,988 was received in the current and prior years 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 2020. Unexpended funds related to the advance are supported by cash and temporary investments of \$4,886,988 held exclusively for these projects (refer Note 3).

8. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2019</u>	<u>2018</u>
Vacation	\$ 236,530	\$ 296,461
Overtime	<u>32,755</u>	<u>28,639</u>
	<u>\$ 269,285</u>	<u>\$ 325,100</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:

Subdivisions	<u>2019</u>	<u>2018</u>
Balance at beginning of year	\$ 132,637	\$ 105,288
Net revenue of land held for resale subdivided and sold	13,856	25,268
Investment income	2,627	2,081
Community enhancement expenditures	<u>(15,000)</u>	<u>-</u>
	<u>\$ 134,120</u>	<u>\$ 132,637</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.

**Municipal District of Taber
Notes to Financial Statements
For the Year Ended December 31, 2019**

11. LONG TERM DEBT

	<u>2019</u>	<u>2018</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.	\$ 1,986,340	\$ 2,275,769
	<u>1,986,340</u>	<u>2,275,769</u>
Less principal portion due within one year	<u>306,126</u>	<u>289,429</u>
	<u>\$ 1,680,214</u>	<u>\$ 1,986,340</u>

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	306,126	114,876	421,002
2021	323,787	97,215	421,002
2022	342,465	78,537	421,002
2023	362,222	58,780	421,002
2024	383,119	37,883	421,002
Thereafter	<u>268,621</u>	<u>40,578</u>	<u>309,199</u>
	<u>\$ 1,986,340</u>	<u>\$ 427,869</u>	<u>\$ 2,414,209</u>

Interest on long-term debt amounted to \$121,197 (2018 – \$137,548).

The Municipal District's total cash payments for interest in 2019 were \$131,572 (2018 – \$147,358).

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>2019</u>	<u>2018</u>
Total debt limit	\$ 32,652,900	\$ 33,385,836
Total debt	<u>1,986,340</u>	<u>\$ 2,275,769</u>
Amount total debt limit unused	<u>\$ 30,666,560</u>	<u>\$ 31,110,067</u>
Service on debt limit	\$ 5,442,150	\$ 5,564,306
Service on debt	<u>421,002</u>	<u>421,002</u>
Amount service on debt limit unused	<u>\$ 5,021,148</u>	<u>\$ 5,143,304</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.

**Municipal District of Taber
Notes to Financial Statements
For the Year Ended December 31, 2019**

13. TANGIBLE CAPITAL ASSETS

Net Book Value	<u>2019</u>	<u>2018</u>
Land	\$ 50,642,879	\$ 50,114,879
Land Improvements	1,709,925	1,762,762
Buildings	10,928,915	11,011,216
Buildings – construction-in-progress	-	28,297
Engineered Structures		
Roadway system	43,643,604	44,558,864
Roadway system – construction-in-progress	422,291	331,612
Water distribution system	5,185,490	5,351,109
Wastewater treatment system	2,718,413	2,788,435
Communication System	854,293	903,756
Machinery, equipment and furnishings	8,958,711	9,049,583
Machinery, equipment – construction-in-progress	-	14,629
Vehicles	<u>3,039,065</u>	<u>3,192,565</u>
	<u>\$ 128,103,586</u>	<u>\$ 129,107,707</u>

14. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>
Tangible capital assets (Schedule 2)	\$ 201,745,496	\$ 199,283,132
Accumulated amortization (Schedule 2)	(73,641,910)	(70,175,425)
Long-term debt (Note 11)	<u>(1,986,340)</u>	<u>(2,275,769)</u>
	<u>\$ 126,117,246</u>	<u>\$ 126,831,938</u>

15. ACCUMULATED SURPLUS

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	\$ 9,165,155	\$ 8,379,481
Restricted surplus		
Operating reserve	6,160,112	6,160,112
Capital reserve	10,858,079	9,850,740
Equity in tangible capital assets	<u>126,117,246</u>	<u>126,831,938</u>
	<u>\$ 152,300,592</u>	<u>\$ 151,222,271</u>

**Municipal District of Taber
Notes to Financial Statements
For the Year Ended December 31, 2019**

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>2019</u>			<u>2018</u>
	<u>Salary¹</u>	<u>Benefits & allowances²</u>	<u>Total</u>	<u>Total</u>
Councillors:				
Division 1	\$ 32,491	\$ 7,376	\$ 39,867	\$ 39,784
Division 2	32,192	7,608	39,800	38,697
Division 3	18,093	6,875	24,968	43,496
Division 4	22,378	7,094	29,472	34,622
Division 5	31,363	7,551	38,914	38,070
Division 6	23,962	7,110	31,072	32,123
Division 7	23,760	7,163	30,923	29,677
CAO ³ (8 Months)	115,041	26,437	141,478	230,356
Interim CAO ³ (5 Months)	94,645	-	94,645	-
Designated officer ³	123,903	30,650	154,553	145,309

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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount.

Total current service contributions by the Municipal District of Taber to the LAPP in 2019 were \$454,337 (2018 - \$540,387). Total current service contributions by the employees of the Municipal District of Taber to the LAPP in 2019 were \$412,762 (2018 - \$493,397).

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.5 billion (2017 - surplus of \$4.84 billion).

Municipal District of Taber
Notes to Financial Statements
For the Year Ended December 31, 2019

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% (2018 – 2.84%) and 3.78% (2018 – 3.78%) respectively of pensionable earnings up to \$151,278 (2018 - \$147,222).

Total current service contributions by the Municipal District of Taber to APEX in 2019 were \$46,312 (2018 - \$53,741). Total current service contributions by the employees of the Municipal District of Taber to APEX in 2019 were \$34,795 (2018 – \$40,377).

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).

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.

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 2019 was \$1,790,311.

22. CONTRACTUAL OBLIGATIONS

The Municipal District of Taber has entered into a contractual agreement for a capital project. The estimated completion cost of this project totals \$124,355. Total costs incurred for the project as at December 31, 2019 were \$90,713.

Municipal District of Taber
Notes to Financial Statements
For the Year Ended December 31, 2019

23. RELATED PARTIES

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

	<u>2019</u>	<u>2018</u>
Accounts Receivable		
Highway 3 Regional Water Services Commission	\$ <u>97,767</u>	\$ <u>97,767</u>
Accounts Payable		
Highway 3 Regional Water Services Commission	\$ 8,363	\$ 7,951
Vauxhall & District Regional Water Services Commission	<u>15,664</u>	<u>14,755</u>
	\$ <u>24,027</u>	\$ <u>22,706</u>

24. 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.

25. BUDGET INFORMATION

The disclosed budget information has been approved by the Reeve and Council of the Municipal District of Taber on December 11, 2018.

26. SUBSEQUENT EVENT

At the time of approval of these financial statements, the Municipal District of Taber has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Closure to public access of all municipal offices and buildings from March 16, 2020 to the date of the auditors' report based on public health recommendations
- Mandatory working from home requirements for those able to do so

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

27. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved these financial statements.

28. COMPARATIVE INFORMATION

The financial statements have been reclassified where applicable to conform to the current year's presentation. The changes do not affect prior year earnings.