

MUNICIPAL DISTRICT OF TABER

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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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, 2016 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

We have audited the accompanying consolidated financial statements of the Municipal District of Taber (the "Municipal District") which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of operations and accumulated surplus, change in net financial assets and consolidated cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Municipal District of Taber as at December 31, 2016, 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.

KPMG LLP

Chartered Professional Accountants

March 28, 2017
Lethbridge, Canada

**Municipal District of Taber
Consolidated Statement of Financial Position
As at December 31, 2016**

	<u>2016</u>	<u>2015</u>
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 3)	21,258,627	22,516,207
Receivables		
Taxes and grants in lieu receivables (Note 4)	488,453	191,369
Trade and other receivables	850,854	913,409
Land for resale inventory	1,748,198	2,072,462
Long-term investments (Note 5)	43,723	35,377
Other financial assets (Note 6)	104,197	8,174
	<u>24,494,052</u>	<u>25,736,998</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,218,012	1,041,763
Deferred revenue (Note 7)	18,544	445,044
Employee benefit obligations (Note 8)	316,366	345,504
Trust funds (Note 9)	49,973	208,667
Long-term debt (Note 11)	2,808,132	3,052,739
	<u>4,411,027</u>	<u>5,093,717</u>
NET FINANCIAL ASSETS	<u>20,083,025</u>	<u>20,643,281</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	112,050,628	93,580,367
Inventory for consumption	5,826,154	5,526,445
Prepaid expenses	194,299	236,481
	<u>118,071,081</u>	<u>99,343,293</u>
ACCUMULATED SURPLUS (Schedule 1, Note 15)	<u>138,154,106</u>	<u>119,986,574</u>

Contingencies - See Note 20

Municipal District of Taber
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2016

	Budget	2016	2015
	\$	\$	\$
REVENUE			
Net municipal property taxes (Schedule 3)	15,270,716	15,257,569	15,363,402
User fees and sales of goods	1,413,912	1,627,718	1,446,870
Government transfers for operating (Schedule 4)	1,883,904	1,881,255	1,520,351
Investment income	307,000	216,781	314,841
Penalties and costs of taxes	60,000	154,103	103,769
Fines	87,500	82,527	72,583
Rentals	1,415,617	1,517,399	1,245,690
Licences and permits	40,300	41,295	42,503
Insurance proceeds	-	18,034	37,555
Frontage levies	25,091	33,191	25,091
Well drilling taxes	-	28,424	2,266
Transfers from local boards and agencies	-	199,010	-
Development levies	140,000	200,000	-
Total Revenue	20,644,040	21,257,306	20,174,921
EXPENSES			
Legislative	384,894	397,427	344,200
General administrative	2,181,262	2,142,544	2,186,943
Bylaws enforcement	181,000	149,377	149,158
GIS	342,910	380,747	325,488
Fire	1,410,721	1,759,372	806,371
Roads, streets, walks and lighting	10,109,646	10,248,991	10,113,077
Water and wastewater	1,760,288	1,821,352	1,718,155
Waste management	329,884	336,944	321,890
Family community support services	51,022	51,022	50,025
Agricultural services	1,602,081	1,408,873	1,410,744
Subdivision land development	14,000	39,990	41,269
Land/housing/buildings	370,402	452,531	519,253
Planning and development	186,422	312,266	154,968
Public housing	-	-	2,095
Recreation and parks	1,447,892	1,487,990	1,125,093
Library	143,176	143,176	140,077
Total Expenses	20,515,600	21,132,602	19,408,806
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER	128,440	124,704	766,115
OTHER			
Contributed assets	-	15,986,413	4,626,402
Government transfers for capital (Schedule 4)	2,071,910	2,056,415	3,047,010
EXCESS OF REVENUE OVER EXPENSES	2,200,350	18,167,532	8,439,527
ACCUMULATED SURPLUS, BEGINNING OF YEAR	119,986,574	119,986,574	111,547,047
ACCUMULATED SURPLUS, END OF YEAR	122,186,924	138,154,106	119,986,574

Municipal District of Taber
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2016

	Budget \$	2016 \$	2015 \$
EXCESS OF REVENUE OVER EXPENSES	<u>2,200,350</u>	<u>18,167,532</u>	<u>8,439,527</u>
Acquisition of tangible capital assets	(6,907,140)	(6,940,721)	(7,761,635)
Contributed tangible capital assets	-	(15,986,413)	(4,626,402)
Proceeds on disposal of tangible capital assets	248,000	287,498	334,300
Amortization of tangible capital assets	4,074,918	4,162,300	4,074,918
(Gain) loss on disposal of tangible capital assets	-	7,075	70,045
	<u>(2,584,222)</u>	<u>(18,470,261)</u>	<u>(7,908,774)</u>
Acquisition of inventory for consumption	(5,826,154)	(5,826,154)	(3,697,938)
Acquisition of prepaid assets	(194,299)	(194,299)	(236,481)
Use (acquisition) of land held for resale	-	-	1,069,258
Use of inventory for consumption	5,526,445	5,526,445	700,467
Use of prepaid assets	236,481	236,481	222,582
	<u>(257,527)</u>	<u>(257,527)</u>	<u>(1,942,112)</u>
DECREASE IN NET FINANCIAL ASSETS	(641,399)	(560,256)	(1,411,359)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>20,643,281</u>	<u>20,643,281</u>	<u>22,054,640</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>20,001,882</u></u>	<u><u>20,083,025</u></u>	<u><u>20,643,281</u></u>

**Municipal District of Taber
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2016**

	2016	2015
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	18,167,532	8,439,527
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	4,162,300	4,074,918
(Gain) loss on disposal of tangible capital assets	7,075	70,045
Tangible capital assets received as contributions	(15,986,413)	(4,626,402)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivables	(297,084)	78,366
Decrease (increase) in trade and other receivables	62,555	(6,621)
Decrease (increase) in land held for resale	324,264	(216,409)
Decrease (increase) in prepaid expenses	42,182	(13,899)
Decrease (increase) in other financial assets	(96,023)	(1,317)
Decrease (increase) in inventory for consumption	(299,709)	(2,997,471)
Increase (decrease) in accounts payable & accrued liabilities	176,249	306,399
Increase (decrease) in trust funds	(158,694)	68,870
Increase (decrease) in deferred revenue	(426,500)	11,160
Increase (decrease) in employee benefit obligations	(29,138)	41,073
Cash provided by operating transactions	<u>5,648,596</u>	<u>5,228,239</u>
CAPITAL		
Acquisition of tangible capital assets	(6,940,721)	(7,761,635)
Sale of tangible capital assets	287,498	334,300
Cash applied to capital transactions	<u>(6,653,223)</u>	<u>(7,427,335)</u>
INVESTING		
Decrease (increase) in investments	(8,346)	(8,736)
Cash applied to investing transactions	<u>(8,346)</u>	<u>(8,736)</u>
FINANCING		
Long-term debt repaid	(244,607)	(308,510)
Cash applied to financing transactions	<u>(244,607)</u>	<u>(308,510)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	<u>(1,257,580)</u>	<u>(2,516,342)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>22,516,207</u>	<u>25,032,549</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>21,258,627</u>	<u>22,516,207</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	<u>21,258,627</u>	<u>22,516,207</u>

Municipal District of Taber
 Schedule of Changes in Accumulated Surplus
 For the Year Ended December 31, 2016
 Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016 \$	2015 \$
BALANCE, BEGINNING OF YEAR	11,446,334	18,012,612	90,527,628	119,986,574	111,547,047
Excess of revenues over expenses	18,167,532	-	-	18,167,532	8,439,527
Unrestricted funds designated for future use	(3,571,871)	3,571,871	-	-	-
Restricted funds used for operations	-	-	-	-	-
Restricted funds used for tangible capital assets	-	(2,616,636)	2,616,636	-	-
Current year funds used for tangible capital assets	(4,317,010)	-	4,317,010	-	-
Donated and contributed tangible capital assets	(15,986,413)	-	15,986,413	-	-
Disposal of tangible capital assets	287,498	-	(287,498)	-	-
Annual amortization expense	4,162,300	-	(4,162,300)	-	-
Long term debt repaid	(244,607)	-	244,607	-	-
Change in accumulated surplus	(1,502,571)	955,235	18,714,868	18,167,532	8,439,527
BALANCE, END OF YEAR	9,943,763	18,967,847	109,242,496	138,154,106	119,986,574

**Municipal District of Taber
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2016
Schedule 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2016 \$	2015 \$
COST:								
BALANCE, BEGINNING OF YEAR	24,458,179	1,749,508	2,481,188	103,365,319	15,107,220	6,060,918	153,222,332	141,592,171
Acquisition of tangible capital assets	16,322,256	-	1,148,826	2,844,361	1,490,777	871,626	22,677,846	12,155,551
Construction-in-progress	-	-	248,598	690	-	-	249,288	232,486
Disposal of tangible capital assets	-	-	-	-	(479,515)	-	(479,515)	(757,876)
BALANCE, END OF YEAR	40,780,435	1,749,508	3,878,612	106,210,370	16,118,482	6,932,544	175,669,951	153,222,332
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	88,620	996,045	48,164,244	7,078,285	3,314,771	59,641,965	55,920,578
Annual amortization	-	42,316	64,118	2,741,091	861,732	453,043	4,162,300	4,074,918
Accumulated amortization on disposals	-	-	-	-	(184,942)	-	(184,942)	(353,531)
BALANCE, END OF YEAR	-	130,936	1,060,163	50,905,335	7,755,075	3,767,814	63,619,323	59,641,965
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	40,780,435	1,618,572	2,818,449	55,305,035	8,363,407	3,164,730	112,050,628	93,580,367
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	24,458,179	1,660,888	1,485,143	55,201,075	8,028,935	2,746,147	93,580,367	

**Municipal District of Taber
Schedule of Property and Other Taxes
For the Year Ended December 31, 2016
Schedule 3**

	Budget \$	2016 \$	2015 \$
TAXATION			
Property taxes levied	21,010,678	21,003,410	20,794,268
Government grants in place of property taxes	14,044	14,044	18,182
	<u>21,024,722</u>	<u>21,017,454</u>	<u>20,812,450</u>
REQUISITIONS			
Alberta School Foundation Fund	5,450,444	5,456,165	5,155,541
Holy Spirit School Division	123,480	123,480	126,882
Taber Seniors Foundation	180,082	180,240	166,625
	<u>5,754,006</u>	<u>5,759,885</u>	<u>5,449,048</u>
NET MUNICIPAL TAXES	<u>15,270,716</u>	<u>15,257,569</u>	<u>15,363,402</u>

Municipal District of Taber
 Schedule of Government Transfers
 For the Year Ended December 31, 2016
 Schedule 4

	Budget	2016	2015
	\$	\$	\$
TRANSFERS FOR OPERATING:			
Provincial Government	1,836,604	1,834,064	1,468,176
Federal Government	-	-	3,264
Other Local Governments	47,300	47,191	48,911
	<u>1,883,904</u>	<u>1,881,255</u>	<u>1,520,351</u>
 TRANSFERS FOR CAPITAL:			
Provincial Government	1,688,265	1,686,624	2,673,968
Federal Government	383,645	369,791	373,042
	<u>2,071,910</u>	<u>2,056,415</u>	<u>3,047,010</u>
 TOTAL GOVERNMENT TRANSFERS	 <u>3,955,814</u>	 <u>3,937,670</u>	 <u>4,567,361</u>

Municipal District of Taber
 Schedule of Consolidated Expenses by Object
 For the Year Ended December 31, 2016
 Schedule 5

	Budget	2016	2015
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	6,785,015	7,084,952	6,393,470
Contracted and general services	2,126,802	2,294,968	2,022,839
Purchase from other governments	427,800	485,136	391,344
Materials, goods, supplies and utilities	4,961,418	5,074,665	4,579,355
Provision for allowances	482,000	322,141	457,124
Bank charges and short term interest	3,000	3,244	3,184
Grants to individuals and organizations	1,478,252	1,530,499	1,232,389
Interest on long term debt	176,395	167,622	184,138
Amortization of tangible capital assets	4,074,918	4,162,300	4,074,918
Loss on disposal of tangible capital assets	-	7,075	70,045
	<u>20,515,600</u>	<u>21,132,602</u>	<u>19,408,806</u>

**Municipal District of Taber
Schedule of Segmented Disclosure
For the Year Ended December 31, 2016
Schedule 6**

	General Government	Protective Services	Transportaion Services	Environmental Services	Public Health	Planning & Development	Recreation & Culture	Total \$
REVENUE								
Net municipal taxes	15,257,569	-	-	-	-	-	-	15,257,569
Government transfers	39,980	760,929	2,161,103	306,379	-	168,360	500,919	3,937,670
Sales and user charges	57,640	193,813	125,393	976,021	-	128,177	146,674	1,627,718
Investment income	216,781	-	-	-	-	-	-	216,781
Contributed assets	-	-	-	842,611	-	15,143,802	-	15,986,413
Other revenues	265,054	12,346	93,138	219,855	-	1,483,590	200,000	2,273,983
	<u>15,837,024</u>	<u>967,088</u>	<u>2,379,634</u>	<u>2,344,866</u>	<u>-</u>	<u>16,923,929</u>	<u>847,593</u>	<u>39,300,134</u>
EXPENSES								
Salaries, wages and benefits	1,374,993	206,259	3,497,959	659,838	-	1,259,899	86,004	7,084,952
Contracted and general services	637,636	634,828	436,320	535,627	-	387,261	148,432	2,780,104
Materials, goods, supplies and utilities	127,876	946,538	2,778,208	509,925	-	574,666	137,452	5,074,665
Transfers to other governments and boards	43,713	-	-	-	51,022	240,884	1,194,880	1,530,499
Interest on long term debt	-	-	-	167,622	-	-	-	167,622
Other Expenses	325,385	-	-	-	-	7,075	-	332,460
	<u>2,509,603</u>	<u>1,787,625</u>	<u>6,712,487</u>	<u>1,873,012</u>	<u>51,022</u>	<u>2,469,785</u>	<u>1,566,768</u>	<u>16,970,302</u>
NET REVENUE, BEFORE AMORTIZATION	<u>13,327,421</u>	<u>(820,537)</u>	<u>(4,332,853)</u>	<u>471,854</u>	<u>(51,022)</u>	<u>14,454,144</u>	<u>(719,175)</u>	<u>22,329,832</u>
Amortization	30,368	121,124	3,536,504	285,284	-	124,622	64,398	4,162,300
NET REVENUE	<u><u>13,297,053</u></u>	<u><u>(941,661)</u></u>	<u><u>(7,869,357)</u></u>	<u><u>186,570</u></u>	<u><u>(51,022)</u></u>	<u><u>14,329,522</u></u>	<u><u>(783,573)</u></u>	<u><u>18,167,532</u></u>

**Municipal District of Taber
Notes to Financial Statements
For the Year Ended December 31, 2016**

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Municipal District of Taber (the "Municipality") 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 are the following:

Regional Fire Authority

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

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

b) Basis of Accounting

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

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

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

c) Use of Estimates

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

d) Investments

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

e) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the differences between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

**Municipal District of Taber
Notes to Financial Statements
For the Year Ended December 31, 2016**

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		25-50
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
Notes to Financial Statements
For the Year Ended December 31, 2016**

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 PRONOUNCEMENT

The following is a future accounting pronouncement. The impact of this pronouncement is expected to have a limited impact on the financial statements of the Municipality.

1. Financial instruments, foreign currency translation and financial statements presentation;
PSAB approved Sections PS 3450 financial instruments, PS 2601 foreign currency translation, and PS 1201 financial statements presentation. PS 3450 provides guidance on the recognition, measurement, presentation, and disclosure of financial instruments including derivative instruments. PS 2601 provides guidance on the recognition of unrealized gains and losses, hedge accounting and the separation of realized and unrealized foreign exchange gains and losses. PS 1201 includes the adoption of a new statement outlining re-measurement gains and losses. This section is effective for years beginning on or after April 1, 2018. The Municipality has not yet adopted these standards or determined the effect on the adoption on its financial statements.

3. CASH AND TEMPORARY INVESTMENTS

	<u>2016</u>	<u>2015</u>
Cash	\$ 155,336	\$ 2,487,599
Temporary Investments	<u>21,103,291</u>	<u>20,028,608</u>
	<u>\$ 21,258,627</u>	<u>\$ 22,516,207</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 1.4% to 1.5%, as well as cashable guaranteed investment certificates (GICs), with interest rates ranging from 1.57% to 1.58%. Council has designated funds of \$12,842,943 (2015 - \$12,109,579) included in the above amounts for equipment replacement.

Included in temporary investments is a restricted amount of \$18,544 (2015 - \$445,044) received from senior levels of government and held exclusively for capital projects (Note 7).

4. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2016</u>	<u>2015</u>
Current taxes and grants place of taxes	\$ 767,769	\$ 448,687
Arrears taxes	<u>777,854</u>	<u>410,250</u>
	1,545,623	858,937
Less allowance for doubtful accounts	<u>(1,057,170)</u>	<u>(667,568)</u>
	<u>\$ 488,453</u>	<u>\$ 191,369</u>

**Municipal District of Taber
Notes to Financial Statements
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5. LONG-TERM INVESTMENTS

	<u>2016</u>	<u>2015</u>
A.M.F.C. Shares	\$ 120	\$ 120
CO-OP Equity	37,304	28,988
U.F.A. Equity	<u>6,299</u>	<u>6,269</u>
	<u>\$ 43,723</u>	<u>\$ 35,377</u>

6. OTHER FINANCIAL ASSETS/(LIABILITIES)

	<u>2016</u>	<u>2015</u>
Alberta School Requisition (Over)/Under-levy	\$ 101,491	\$ 8,022
Taber Seniors Foundation (Over)/Under-levy	<u>2,706</u>	<u>152</u>
	<u>\$ 104,197</u>	<u>\$ 8,174</u>

7. DEFERRED REVENUE

	<u>2016</u>	<u>2015</u>
Federal Gas Tax Fund	\$ 13,854	\$ -
Regional Collaboration Program	<u>4,690</u>	<u>445,044</u>
	<u>\$ 18,544</u>	<u>\$ 445,044</u>

Funding in the amount of \$18,544 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 2017. Unexpended funds related to the advance are supported by temporary investments of \$18,544 held exclusively for these projects (refer Note 3).

8. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2016</u>	<u>2015</u>
Vacation	\$ 299,921	\$ 329,133
Overtime	<u>16,445</u>	<u>16,371</u>
	<u>\$ 316,366</u>	<u>\$ 345,504</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>2016</u>	<u>2015</u>
Subdivisions		
Balance at beginning of year	\$ 208,667	\$ 139,797
Net revenue of land held for resale subdivided and sold	40,852	67,528
Investment income	454	1,342
Community enhancement expenditures	<u>(200,000)</u>	<u>-</u>
	<u>\$ 49,973</u>	<u>\$ 208,667</u>

**Municipal District of Taber
Notes to Financial Statements
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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>2016</u>	<u>2015</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	\$ 2,808,132	\$ 3,052,739
	<u>2,808,132</u>	<u>3,052,739</u>
Less principal portion due within one year	<u>258,719</u>	<u>244,607</u>
	<u>\$ 2,549,413</u>	<u>\$ 2,808,132</u>

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	258,719	162,283	421,002
2018	273,644	147,358	421,002
2019	289,429	131,572	421,001
2020	306,126	114,875	421,001
2021	323,787	97,215	421,002
Thereafter	<u>1,356,427</u>	<u>215,779</u>	<u>1,572,206</u>
	<u>\$ 2,808,132</u>	<u>\$ 869,082</u>	<u>\$ 3,677,214</u>

Interest on long-term debt amounted to \$167,622 (2015 – \$184,138).

The Municipal District's total cash payments for interest in 2016 were \$176,394 (2015 – \$194,494).

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>2016</u>	<u>2015</u>
Total debt limit	\$ 31,885,959	\$ 30,262,381
Total debt	<u>2,808,132</u>	<u>\$ 3,052,739</u>
Amount total debt limit unused	<u>\$ 29,077,827</u>	<u>\$ 27,209,642</u>
Service on debt limit	\$ 5,314,326	\$ 5,043,730
Service on debt	421,002	503,004
Amount service on debt limit unused	<u>\$ 4,893,324</u>	<u>\$ 4,540,726</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, 2016**

13. TANGIBLE CAPITAL ASSETS

Net Book Value	<u>2016</u>	<u>2015</u>
Land	\$ 40,780,435	\$ 24,458,179
Land Improvements	1,618,572	1,660,888
Buildings	2,337,365	1,252,657
Buildings – construction-in-progress	481,084	232,486
Engineered Structures		
Roadway system	45,931,062	45,753,256
Roadway system – construction-in-progress	67,512	66,822
Water distribution system	5,373,880	5,312,053
Wastewater treatment system	2,932,215	3,006,031
Communication System	1,000,366	1,062,913
Machinery, equipment and furnishings	8,363,407	8,028,935
Vehicles	3,164,730	2,746,147
	<u>\$ 112,050,628</u>	<u>\$ 93,580,367</u>

14. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2016</u>	<u>2015</u>
Tangible capital assets (Schedule 2)	\$ 175,669,951	\$ 153,222,332
Accumulated amortization (Schedule 2)	(63,619,323)	(59,641,965)
Long-term debt (Note 11)	(2,808,132)	(3,052,739)
	<u>\$ 109,242,496</u>	<u>\$ 90,527,628</u>

15. ACCUMULATED SURPLUS

	<u>2016</u>	<u>2015</u>
Unrestricted surplus	\$ 9,943,763	\$ 11,446,334
Restricted surplus		
Operating reserve	6,124,904	5,903,033
Capital reserve	12,842,943	12,109,579
Equity in tangible capital assets	<u>109,242,496</u>	<u>90,527,628</u>
	<u>\$ 138,154,106</u>	<u>\$ 119,986,574</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>2016</u>			<u>2015</u>
	Salary ¹	Benefits & allowances ²	Total	Total
Councillors:				
Division 1	\$ 21,475	\$ 7,094	\$ 28,569	\$ 29,518
Division 2	30,446	7,956	38,402	37,502
Division 3	40,776	8,310	49,086	38,704
Division 4	39,145	8,243	47,388	48,238
Division 5	30,718	6,817	37,535	39,704
Division 6	22,699	7,700	30,399	31,583
Division 7	35,712	9,966	45,678	31,362
Municipal Administrator ³	178,779	35,555	214,334	208,840
Designated officers ³ (6 positions)	731,010	159,515	890,525	861,575

**Municipal District of Taber
Notes to Financial Statements
For the Year Ended December 31, 2016**

16. SALARY AND BENEFITS DISCLOSURE (CONTINUED)

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 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the Municipal District of Taber to the LAPP in 2016 were \$501,847 (2015 - \$489,624). Total current service contributions by the employees of the Municipal District of Taber to the LAPP in 2016 were \$462,205 (2015 - \$450,859).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million (2014 - deficit of \$2.455 billion).

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 services contributions to APEX of 2.5% (2015 - 2.5%) and 3.0% (2015 - 3.0%) respectively of pensionable earnings up to \$144,500 (2015 - \$140,945).

Total current service contributions by the Municipal District of Taber to APEX in 2016 were \$32,997 (2015 - \$31,819). Total current service contributions by the employees of the Municipal District of Taber to APEX in 2016 were \$27,497 (2015 - \$26,516).

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)

**Municipal District of Taber
Notes to Financial Statements
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20. CONTINGENCIES

- a) The Municipal District of Taber is a member of the Genesis Reciprocal Insurance Program. Under the terms of the membership, the Municipal District of Taber could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.
- b) The Municipality is involved in various litigation and claims associated with normal operations and management believes that any resulting settlement would not materially affect the financial position of the Municipality.
- c) The Municipality has not recognized liabilities relating to certain obligations, primarily environmental and other liabilities related to facilities, equipment and land. These liabilities are not recognized as the dates of remediation are unknown and as such the fair value of these liabilities cannot be reasonably determined.

21. RELATED PARTIES

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

	<u>2016</u>	<u>2015</u>
Accounts Receivable		
Highway 3 Regional Water Services Commission	\$ 116,340	\$ 97,768
Vauxhall & District Regional Water Services Commission	-	420
	<u>\$ 116,340</u>	<u>\$ 98,188</u>
Accounts Payable		
Highway 3 Regional Water Services Commission	\$ 7,974	\$ 7,691
Vauxhall & District Regional Water Services Commission	14,462	10,048
	<u>\$ 22,436</u>	<u>\$ 17,739</u>

Included in contributed capital assets received and recognized in the year is buildings of \$842,611 (2015 - \$nil) from the Taber and District Regional Waste Management Authority.

22. 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.

23. BUDGET INFORMATION

The disclosed budget information has been approved by the Reeve and Council of the Municipal District of Taber on December 8, 2015.

**Municipal District of Taber
Notes to Financial Statements
For the Year Ended December 31, 2016**

24. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved these financial statements.

25. COMPARATIVE FIGURES

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