

TOWN OF TABER
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

TOWN OF TABER
TABLE OF CONTENTS
December 31, 2012

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS	1
INDEPENDENT AUDITORS' REPORT	2
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS	4
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)	5
CONSOLIDATED STATEMENT OF CASH FLOWS	6
CONSOLIDATED SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS	7
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS	8
CONSOLIDATED SCHEDULE OF TAXES LEVIED AND NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES	9
CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS	10
CONSOLIDATED SCHEDULE OF EXPENSES BY OBJECT	10
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURES	11
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	12 - 24

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Town of Taber (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Public Sector Accounting Standards established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Town. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.



Chief Administrative Officer



Director of Corporate Services



KPMG LLP
Chartered Accountants
500 Lethbridge Centre Tower
400 - 4th Avenue South
Lethbridge AB T1J 4E1
Canada

Telephone (403) 380-5700
Fax (403) 380-5760
Internet www.kpmg.ca

Independent Auditors' Report

To the Mayor and Members of Council of the Town of Taber

We have audited the accompanying consolidated financial statements of Town of Taber (the "Entity") which comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statements of operations and accumulated surplus, change in net financial assets (debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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 consolidated 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 consolidated 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 entity'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 entity'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 Town of Taber as at December 31, 2012, and results of its operations, its changes in net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

April 22, 2013
Lethbridge, Canada

TOWN OF TABER

Consolidated Statement of Financial Position

As at December 31, 2012, with comparative figures for 2011

	2012	2011
Financial assets		
Cash and temporary investments (note 2)	\$ 11,753,434	\$ 8,038,020
Taxes and grants in lieu receivable (note 3)	489,528	365,346
Trade and other receivables	1,555,641	2,098,647
Long-term investments (note 4)	2,108,993	2,043,608
Debt charges recoverable	260,317	308,751
Other financial assets	938	995
	<hr/> 16,168,851	<hr/> 12,855,367
Liabilities		
Accounts payable and accrued liabilities	1,972,641	1,148,436
Employee benefit obligations (note 5)	487,396	586,967
Deposit liabilities	795,189	497,033
Deferred revenue (note 6)	2,612,484	2,189,491
Provision for landfill post-closure costs (note 7)	284,125	286,610
Long-term debt (note 8)	8,912,955	9,480,500
	<hr/> 15,064,790	<hr/> 14,189,037
Net financial assets (debt)	<hr/> 1,104,061	<hr/> (1,333,670)
Non-financial assets		
Tangible capital assets (schedule 2)	115,362,845	113,555,741
Land held for resale	902,091	989,372
Inventory held for consumption	68,416	66,503
Prepaid expenses	15,204	414,520
	<hr/> 116,348,556	<hr/> 115,026,136
Accumulated surplus (schedule 1, note 10)	<hr/> 117,452,617	<hr/> 113,692,466
Contingent liabilities (note 14)		
Commitments (note 15)		

TOWN OF TABER

Consolidated Statement of Operations and Accumulated Surplus For the year ended December 31, 2012, with comparative figures for 2011

	Budget (Unaudited)	2012	2011
Revenue			
Net taxes available for municipal purposes (schedule 3)	\$ 7,480,540	\$ 7,474,799	\$ 7,141,210
Sales and user fees	8,533,393	9,259,806	7,925,781
Government transfers for operating (schedule 4)	955,669	1,175,904	1,387,084
Penalties and costs of taxes	85,000	130,799	118,004
Fines	408,450	545,853	392,306
Franchise and concession contracts	1,050,000	1,196,300	1,128,288
Investment income	152,000	247,226	161,418
Licenses and permits	226,420	299,378	302,227
Rentals	692,547	689,304	693,321
Other	419,945	396,119	307,610
	20,003,964	21,415,488	19,557,249
Expenses (schedule 5)			
Council and other legislative	422,642	276,163	255,922
General government	1,680,657	1,851,348	1,561,955
Police	2,721,747	2,757,815	2,648,813
Fire	647,515	626,823	613,730
Disaster	6,500	-	-
Ambulance	1,429,815	1,405,740	1,376,260
Bylaw	165,896	150,230	141,714
Roads, walks and street lighting	3,363,946	3,458,705	3,912,783
Other transportation	37,500	37,500	36,000
Stormwater	403,915	609,670	481,658
Water supply and distribution	1,477,519	1,616,630	1,767,219
Wastewater treatment and disposal	3,462,378	3,298,598	3,257,561
Waste management	1,144,077	1,150,709	1,102,042
Family and community support	54,300	53,006	51,697
Cemeteries	113,612	90,150	89,287
Land use planning, zoning and development	393,602	382,796	363,245
Subdivision land and development	58,750	93,568	47,940
Public housing	6,948	6,958	8,662
Land, housing and building rentals	318,551	256,865	337,241
Parks and recreation	2,378,771	2,297,760	2,311,898
Culture	692,210	669,437	656,899
	20,980,851	21,090,471	21,022,526
Excess (deficiency) of revenue over expenses before other	(976,887)	325,017	(1,465,277)
Other			
Contributed assets	-	2,756	846,919
Government transfers for capital (schedule 4)	7,908,607	3,432,378	2,672,135
Excess of revenue over expenses	6,931,720	3,760,151	2,053,777
Accumulated surplus, beginning of year	113,692,466	113,692,466	111,638,689
Accumulated surplus, end of year	\$ 120,624,186	\$ 117,452,617	\$ 113,692,466

TOWN OF TABER

Consolidated Statement of Change in Net Financial Assets (Debt)

For the year ended December 31, 2012, with comparative figures for 2011

	Budget (Unaudited)	2012	2011
Excess of revenue over expenses	\$ 6,931,720	\$ 3,760,151	\$ 2,053,777
Acquisition of tangible capital assets	(11,239,472)	(5,699,903)	(3,814,585)
Contributed tangible capital assets	-	(2,756)	(846,919)
Amortization of tangible capital assets	3,699,323	3,802,465	3,699,323
Loss on disposal of tangible capital assets	-	42,308	397,718
Proceeds on disposal of tangible capital assets	15,000	50,782	61,849
	(593,429)	1,953,047	1,551,163
Acquisition of inventories of supplies	-	(68,416)	(66,503)
Acquisition of prepaid expenses	-	(15,204)	(414,520)
Disposal of land held for resale	-	87,281	34,714
Consumption of inventories of supplies	-	66,503	56,548
Use of prepaid expenses	-	414,520	357,829
	-	484,684	(31,932)
Decrease (increase) in net financial debt	(593,429)	2,437,731	1,519,231
Net financial debt, beginning of year	(1,333,670)	(1,333,670)	(2,852,901)
Net financial assets (debt), end of year	\$ (1,927,099)	\$ 1,104,061	\$ (1,333,670)

TOWN OF TABER

Consolidated Statement of Cash Flows

For the year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Cash flows provided by (used in) the following activities:		
Operating		
Excess of revenue over expenses	\$ 3,760,151	\$ 2,053,777
Items not involving cash:		
Amortization of tangible capital assets	3,802,465	3,699,323
Contributed tangible capital assets	(2,756)	(846,919)
Loss on disposal of tangible capital assets	42,308	397,718
Change in non-cash assets and liabilities:		
Taxes and grants in lieu receivable	(124,182)	6,399
Trade and other receivables	543,006	425,323
Debt charges recoverable	48,434	46,062
Other financial assets	57	(59)
Accounts payable and accrued liabilities	824,205	(329,569)
Employee benefit obligations	(99,571)	15,530
Deposit liabilities	298,156	8,349
Deferred revenue	422,993	1,341,473
Provision for landfill post-closure costs	(2,485)	(17,930)
Land held for resale	87,281	34,714
Inventory held for consumption	(1,913)	(9,956)
Prepaid expenses	399,316	(56,691)
	9,997,465	6,767,544
Capital		
Proceeds on disposal of tangible capital assets	50,782	61,849
Purchase of tangible capital assets:		
Funded from reserves	(1,781,087)	(1,084,830)
Funded from operations	(3,918,816)	(2,729,755)
	(5,649,121)	(3,752,736)
Investing		
Disposal (purchase) of long-term investments	(65,385)	304,531
	(65,385)	304,531
Financing		
Repayment of debt charges recoverable	(48,434)	(46,063)
Repayment of long-term debt	(519,111)	(516,411)
	(567,545)	(562,474)
Net increase in cash and cash equivalents	3,715,414	2,756,865
Cash and cash equivalents, beginning of year	8,038,020	5,281,155
Cash and cash equivalents, end of year	\$ 11,753,434	\$ 8,038,020

TOWN OF TABER

Consolidated Schedule of Changes in Accumulated Surplus

For the year ended December 31, 2012, with comparative figures for 2011
Schedule 1

	Unrestricted Net Assets	Reserves	Equity in tangible capital assets	2012	2011
Beginning balance	\$ 2,577,140	\$ 6,731,334	\$ 104,383,992	\$ 113,692,466	\$ 111,638,689
Excess of revenue over expenses	3,760,151	-	-	3,760,151	2,053,777
Operating reserves					
Transfers to reserves	(168,899)	168,899	-	-	-
Transfers from reserves	193,980	(193,980)	-	-	-
Capital reserves					
Transfers to reserves	(3,604,404)	3,604,404	-	-	-
Transfers from reserves for operating purposes	369,685	(369,685)	-	-	-
Transfers from reserves for capital purposes	-	(1,781,087)	1,781,087	-	-
Capital investing					
Capital assets internally funded	(3,918,816)	-	3,918,816	-	-
Contributed assets	(2,756)	-	2,756	-	-
Proceeds on disposal of tangible capital assets	50,782	-	(50,782)	-	-
Loss on disposal of tangible capital assets	42,308	-	(42,308)	-	-
Amortization of tangible capital assets	3,802,465	-	(3,802,465)	-	-
Capital financing					
Principal payment of capital debt	(519,111)	-	519,111	-	-
Total	\$ 2,582,525	\$ 8,159,885	\$ 106,710,207	\$ 117,452,617	\$ 113,692,466

TOWN OF TABER

Consolidated Schedule of Tangible Capital Assets

For the year ended December 31, 2012

Schedule 2

Cost	2011	Additions	Disposals	Transfers of assets under construction	2012
Land	\$ 973,448	\$ 361,722	\$ -	\$ -	\$ 1,335,170
Land improvements	3,189,718	97,371	-	6,046	3,293,135
Buildings	14,678,452	-	-	-	14,678,452
Engineering structures	142,143,807	944,700	5,695	-	143,082,812
Machinery and equipment	5,181,330	579,575	371,656	11,046	5,400,295
Vehicles	2,874,508	325,864	274,262	-	2,926,110
Assets under construction	940,448	3,393,427	20,629	(17,092)	4,296,154
Total	\$ 169,981,711	\$ 5,702,659	\$ 672,242	\$ -	\$ 175,012,128

Accumulated amortization	2011	Amortization expense	Disposals	2012
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	1,103,211	119,650	-	1,222,861
Buildings	4,745,981	327,927	-	5,073,908
Engineering structures	46,317,718	2,735,339	2,138	49,050,919
Machinery and equipment	2,640,346	428,167	335,273	2,733,240
Vehicles	1,618,714	191,382	241,741	1,568,355
Assets under construction	-	-	-	-
Total	\$ 56,425,970	\$ 3,802,465	\$ 579,152	\$ 59,649,283

Net book value	2011	2012
Land	\$ 973,448	\$ 1,335,170
Land improvements	2,086,507	2,070,274
Buildings	9,932,471	9,604,544
Engineering structures	95,826,089	94,031,893
Machinery and equipment	2,540,984	2,667,055
Vehicles	1,255,794	1,357,755
Assets under construction	940,448	4,296,154
Total	\$ 113,555,741	\$ 115,362,845

TOWN OF TABER

Consolidated Schedule of Taxes Levied and Net Taxes Available for Municipal Purposes

For the year ended December 31, 2012

Schedule 3

	Budget (Unaudited)	2012	2011
Taxation:			
Real property taxes	\$ 9,544,764	\$ 9,543,799	\$ 8,980,722
Linear property taxes	223,146	223,146	214,902
Government grants in place of property taxes	87,806	87,806	84,344
Local improvement taxes	14,598	15,204	15,204
	9,870,314	9,869,955	9,295,172
Requisition:			
Alberta School Foundation Fund	2,004,724	2,009,078	1,804,089
Holy Spirit School Division	320,882	321,736	290,992
Taber & District Housing Authority	64,168	64,342	58,881
	2,389,774	2,395,156	2,153,962
Net taxes available for municipal purposes	\$ 7,480,540	\$ 7,474,799	\$ 7,141,210

TOWN OF TABER

Consolidated Schedule of Government Transfers

For the year ended December 31, 2012, with comparative figures for 2011
Schedule 4

	Budget (Unaudited)	2012	2011
Transfers for operating:			
Provincial government	\$ 543,069	\$ 797,485	\$ 1,013,793
Federal government	15,720	14,018	18,163
Other local governments	396,880	364,401	355,128
	955,669	1,175,904	1,387,084
Transfers for capital:			
Provincial government	7,899,367	3,423,818	1,618,881
Federal government	-	-	1,010,833
Other local governments	9,240	8,560	42,421
	7,908,607	3,432,378	2,672,135
Total government transfers	\$ 8,864,276	\$ 4,608,282	\$ 4,059,219

Consolidated Schedule of Expenses by Object

For the year ended December 31, 2012, with comparative figures for 2011
Schedule 5

	Budget (Unaudited)	2012	2011
Salaries, wages and benefits	\$ 8,025,770	\$ 7,777,043	\$ 7,790,165
Contracted and general services	5,496,212	5,578,522	5,532,045
Materials, goods and supplies	2,715,961	2,645,618	2,613,557
Provision for allowances	12,500	31,242	31,052
Transfers to local boards and agencies	215,967	485,134	210,501
Bank charges and short-term interest	8,825	7,145	6,096
Interest on long-term debt	552,476	552,508	586,316
Amortization of tangible capital assets	3,699,323	3,802,465	3,699,323
Loss on disposal of tangible capital assets	-	42,308	397,718
Other	253,817	168,486	155,753
	\$ 20,980,851	\$ 21,090,471	\$ 21,022,526

TOWN OF TABER

Consolidated Schedule of Segmented Disclosure

For the year ended December 31, 2012

Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health Services	Planning and Development	Parks and Recreation	Culture and Libraries	Total
Revenue									
Net taxes available for municipal purposes	\$ 7,459,595	\$ -	\$ 15,204	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,474,799
Sales and user fees	124,761	1,794,571	553,167	6,371,628	55,153	243,309	105,862	11,355	9,259,806
Government transfers for operating	250,000	562,719	8,745	111,652	-	-	158,373	84,415	1,175,904
Penalties and costs of taxes	98,382	-	-	32,417	-	-	-	-	130,799
Fines	-	538,439	-	-	-	-	-	7,414	545,853
Franchise and concession contracts	1,196,300	-	-	-	-	-	-	-	1,196,300
Investment income	204,446	-	5,564	36,813	-	-	-	403	247,226
Licenses and permits	-	3,056	-	-	798	295,524	-	-	299,378
Rentals	49,075	-	-	49,175	-	84,063	434,889	72,102	689,304
Other	183,584	102,024	25	3,398	-	42,212	53,046	11,830	396,119
	9,566,143	3,000,809	582,705	6,605,083	55,951	665,108	752,170	187,519	21,415,488
Expenses									
Salaries, wages and benefits	1,055,718	3,863,767	918,582	299,597	54,493	298,937	1,032,531	253,418	7,777,043
Contracted and general services	514,098	456,960	1,052,219	2,815,757	13,566	296,980	362,504	66,438	5,578,522
Materials, goods and supplies	124,555	272,987	522,280	957,650	7,429	12,052	567,854	180,811	2,645,618
Provision for allowances	9,581	13,805	-	7,856	-	-	-	-	31,242
Transfers to local boards and agencies	294,842	-	37,500	48,129	53,006	-	-	51,657	485,134
Bank charges and short-term interest	5,939	-	-	-	-	-	-	1,206	7,145
Interest on long-term debt	-	-	23,392	459,265	-	6,958	6,121	56,772	552,508
Amortization of tangible capital assets	123,753	271,339	1,538,589	1,398,152	14,661	40,922	357,033	58,016	3,802,465
Loss (gain) on disposal of tangible capital assets	(975)	61,750	13,313	(555)	-	(2,942)	(28,283)	-	42,308
Other	-	-	-	80,086	-	87,281	-	1,119	168,486
	2,127,511	4,940,608	4,105,875	6,065,937	143,155	740,188	2,297,760	669,437	21,090,471
Excess (deficiency) of revenue over expenses before other	7,438,632	(1,939,799)	(3,523,170)	539,146	(87,204)	(75,080)	(1,545,590)	(481,918)	325,017
Other									
Contributed assets	-	-	-	-	-	-	2,756	-	2,756
Government transfers for capital	-	33,495	399,841	2,967,105	-	-	31,937	-	3,432,378
Excess (deficiency) of revenue over expenses	\$ 7,438,632	\$ (1,906,304)	\$ (3,123,329)	\$ 3,506,251	\$ (87,204)	\$ (75,080)	\$ (1,510,897)	\$ (481,918)	\$ 3,760,151

TOWN OF TABER

Notes to Consolidated Financial Statements

For the year ended December 31, 2012

1. Significant accounting policies

The consolidated financial statements of the Town of Taber (the "Town") are the representations of management prepared in accordance with Public Sector Accounting Standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Town are as follows:

(a) Reporting entity:

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

Taber Public Library
Taber Police Commission

Taxes levied also includes requisitions for educational, health care, social and other external organizations that are not part of the Town.

The statements exclude trust assets that are administered for the benefit of external parties.

Interdepartmental and organizational transactions and balances have been eliminated.

(b) Basis of accounting:

The financial statements are prepared using the accrual basis of accounting. Revenue is recorded when it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the 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) Pension expenses:

The Municipality participates in a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan whereby contributions are expensed as incurred.

(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) Cash and cash equivalents:

Cash and cash equivalents includes cash and deposits redeemable at managements discretion held with Canadian financial institutions.

TOWN OF TABER

Notes to Consolidated Financial Statements

For the year ended December 31, 2012

(f) Requisition over-levy and under-levy:

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

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

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

(g) 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.

(h) 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 and 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 straight-line basis over the estimated useful life as follows:

	Years
Land improvements	25-45
Buildings	25-75
Engineered structures	25-75
Machinery and equipment	4-40
Vehicles	4-25

Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and recorded as revenue.

(iii) Inventories:

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

TOWN OF TABER

Notes to Consolidated Financial Statements

For the year ended December 31, 2012

(h) Non-financial assets (continued):

(iv) Land held for resale:

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as capital assets under their respective function.

(i) Debt charges recoverable:

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

(j) Deferred revenue and prepaid local improvement charges:

Deferred revenue includes amounts received for services yet to be performed and prepaid local improvement charges.

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessment during the period of related borrowings. These levies are collectable from property owners for work performed by the Town.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

(k) Landfill closure and post-closure liability:

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Town is required to fund the closure of its landfill site 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. The landfill site has been closed.

(l) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality.

The Town's implementation of the Public Sector Accounting Standard PS 3150 in 2009 has required management to make estimates of historical cost, where information was not available, and useful lives of tangible capital assets.

Contributions of tangible capital assets are recorded at fair value at the date of receipt.

Actual results could differ from those estimates.

TOWN OF TABER

Notes to Consolidated Financial Statements

For the year ended December 31, 2012

(m) Future accounting changes:

(i) Government transfers:

PSAB approved a new Public Sector Accounting Standard PS 3410 regarding Government Transfers. This section provides guidance on recognition of government transfers. Although this section becomes effective for fiscal periods beginning on or after April 1, 2012, the Town's accounting treatment is already aligned with this standard therefore the Town has elected to early adopt this standard with no impact to the consolidated financial statements.

(ii) Liability for contaminated sites:

PSAB approved PS 3260 which comes into effect for fiscal years beginning on or after April 1, 2014. This section establishes standards for reporting a liability associated with the remediation of certain contaminated sites. The Town has not yet adopted this standard or determined the effect on the consolidated financial statements.

(iii) Financial instruments, foreign currency translation and financial statement presentation:

PSAB PS 3450 come into effect for fiscal years beginning on or after April 1, 2015. This includes adoption of PS 3450; financial instruments, PS 2601; foreign currency translation, and PS 1201; financial statement presentation. While early adoption is permitted, all three of the standards must be adopted in the same year. PS 3450 provides guidance on the recognition, measurement, presentation and disclosure of financial instruments including derivative instruments. PS 2601 provides guidance on deferral and amortization of unrealized gains and losses, hedge accounting and 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. The Town has not yet adopted these standards or determined the effect on the consolidated financial statements.

(iv) Tax revenue:

PSAB PS 3510 comes into effect for fiscal years beginning on or after April 1, 2012. This section establishes standards on how to account for and report tax revenue in government financial statements. The details within this standard could impact the Town's reporting of tax revenues, including but not limited to, how transfers made through a tax system might be recorded and disclosed, how costs related to tax transactions are recorded, and taxes levied for specific purposes (local improvement taxes).

2. Cash and temporary investments

	2012	2011
Cash	\$ 1,107,837	\$ 1,132,540
Temporary investments (market value 2012 - \$10,762,514; 2011 - \$6,989,878)	10,645,597	6,905,480
	<u>\$ 11,753,434</u>	<u>\$ 8,038,020</u>

The temporary investments are comprised of short-term deposits and bonds issued by a Canadian financial institution. These investments mature between February 1, 2013 to November 4, 2013, but are redeemable at managements discretion.

Included in temporary investments are restricted amounts of \$1,460,085, \$413,069, and \$285,774 received from Municipal Sustainability Initiative, Basic Municipal Transportation Grant, and Alberta Municipal Water/Wastewater Partnership respectively and held exclusively for capital infrastructure projects (note 6).

TOWN OF TABER

Notes to Consolidated Financial Statements For the year ended December 31, 2012

3. Taxes and grants in lieu receivable

	2012		2011	
Current taxes and grants in place of taxes	\$	387,589	\$	271,265
Tax arrears		101,939		94,081
	\$	489,528	\$	365,346

4. Long-term investments

	2012		2011	
	Cost	Market Value	Cost	Market Value
Guaranteed Investment Certificates	\$ 1,405,421	\$ 1,465,319	\$ 1,527,946	\$ 1,586,603
Corporate bonds	700,218	697,718	511,655	521,109
Patronage reserves - United Farmers of Alberta	3,262	3,262	3,225	3,225
Equity in Association of Alberta Municipal Districts and Counties	-	-	691	691
Shares in Alberta Capital Finance Authority	40	40	40	40
Shares in 1st Choice Savings & Credit Union Ltd.	52	52	51	51
	\$ 2,108,993	\$ 2,166,391	\$ 2,043,608	\$ 2,111,719

Guaranteed Investment Certificates have effective interest rates of 3.35% to 4.99% (2011 - 3.35% to 4.99%) with maturity dates from June 17, 2013 to June 20, 2016.

Corporate bonds have effective interest rates of 2.48% to 2.49% (2011 - 3.25%) with maturity dates from July 8, 2016 to September 26, 2017.

5. Employee benefit obligations

	2012		2011	
Vacation and other entitlements	\$	487,396	\$	586,967

The Vacation and other entitlements liability consists of the vacation, overtime, flex and sick leave that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

TOWN OF TABER

Notes to Consolidated Financial Statements

For the year ended December 31, 2012

6. Deferred revenue

	2012	2011
Prepaid property taxes	\$ 30,977	\$ 22,792
Prepaid local improvement charges	437	1,043
Provincial conditional grants	2,224,798	1,778,279
Revenues from services not yet provided	356,272	387,377
	<hr/>	<hr/>
	\$ 2,612,484	\$ 2,189,491

Deferred provincial conditional grants include:

- (a) Municipal Sustainability Initiative advanced funding in the amount of \$1,381,259 during the year, plus the Town carried forward \$1,244,806 from the prior year. The Town earned \$23,894 of restricted interest on these funds. These funds are restricted to be used on eligible approved capital infrastructure projects, as approved under the funding agreement, which are scheduled for completion in 2013. During the year, the Town spent \$1,189,874 of these restricted funds. The remaining balance of \$1,460,085 has been deferred. The balance is supported by temporary investments held exclusively for these projects (Note 2).
- (b) Basic Municipal Transportation Grant advanced funding in the amount of \$476,100. The Town earned \$3,634 of restricted interest on these funds. These funds are restricted to be used on eligible approved capital infrastructure projects, as approved under the funding agreement, which are scheduled for completion in 2013. During the year, the Town spent \$66,665 of these restricted funds. The remaining balance of \$413,069 has been deferred. The balance is supported by temporary investments held exclusively for these projects (Note 2).
- (c) Alberta Municipal Water/Wastewater Partnership advanced funding in the amount of \$1,800,000. The Town earned \$10,301 of restricted interest on these funds. These funds are restricted to be used on eligible approved capital infrastructure projects, as approved under the funding agreement, which are scheduled for completion in 2013. During the year, the Town spent \$1,129,473 of these restricted funds, and applied \$395,054 to accounts receivable from the prior year. The remaining balance of \$285,774 has been deferred. The balance is supported by temporary investments held exclusively for these projects (Note 2).
- (d) The remaining balance is made up of various restricted provincial funding received for specific projects, which had not yet been completed at year-end.

7. Provision for landfill post-closure costs

Alberta Environmental law requires closure and post-closure of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and on-going environmental monitoring, site inspections and maintenance.

The estimated total liability of \$284,125 for 2012 (2011 - \$286,610) is based on the sum of discounted future cash flows for post-closure activities for 17 years (2011 - 18 years) using a discount rate of 2.0% (2011 - 2.1%) and assuming annual inflation of 2.2% (2011 - 2.4%).

The Town has not designated assets for settling post-closure liabilities.

TOWN OF TABER

Notes to Consolidated Financial Statements For the year ended December 31, 2012

8. Long-term debt

	2012	2011
Tax supported:		
Debenture issued for the construction of library building	\$ 1,255,038	\$ 1,318,912
Self supported:		
Debenture from debt charges recoverable (Taber & District Housing Authority)	94,839	122,741
Debenture from debt charges recoverable (Taber Golf Club)	165,478	186,010
Amortization fund bearing interest at 6.5% (note 15)	7,397,600	7,852,837
	8,912,955	9,480,500
Current portion	572,864	567,545
	\$ 8,340,091	\$ 8,912,955

	Principal	Interest	Total
2013	\$ 572,864	\$ 519,619	\$ 1,092,483
2014	578,449	485,292	1,063,741
2015	584,311	450,686	1,034,997
2016	554,736	415,790	970,526
2017	558,917	382,865	941,782
Thereafter	6,063,678	2,413,519	8,477,197
	\$ 8,912,955	\$ 4,667,771	\$ 13,580,726

The Town is under agreement with the Taber & District Housing Authority for the repayment of a debenture to construct seniors housing in the community. The full principal and interest costs for the debenture are recovered from the Housing Authority.

The Town is under agreement with the Taber Golf Club for the repayment of a debenture taken out for the benefit of the club. The full principal and interest costs for the debenture are recovered from the club.

Debenture debt issued for the construction of the library building is repayable to Alberta Capital Finance Authority and bears interest at 4.365% and matures in 2026.

Debenture debt issued to Taber & District Housing Authority is repayable to Alberta Capital Finance Authority and bears interest at 6.375% and matures in 2015.

Debenture debt issued to Taber Golf Club is repayable to Alberta Capital Finance Authority and bears interest at 3.494% and matures in 2019.

During the year, on a cash basis, the Town paid \$553,685 on interest on long-term debt.

Debenture debt is issued on the credit and security of the Town at large.

The amortization fund is owing to the operator of the agreement described in note 15. It bears interest at 6.5% and matures in 2029.

TOWN OF TABER

Notes to Consolidated Financial Statements

For the year ended December 31, 2012

9. 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 Town be disclosed as follows:

	2012	2011
Total debt limit	\$ 32,136,072	\$ 29,399,506
Total debt	(8,912,955)	(9,480,500)
Amount of debt limit unused	\$ 23,223,117	\$ 19,919,006
Debt servicing limit	\$ 5,356,012	\$ 4,899,918
Debt servicing	(1,092,483)	(1,121,230)
Amount of debt servicing limit unused	\$ 4,263,529	\$ 3,778,688

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 which 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.

10. Accumulated surplus

	2012	2011
General government operations	\$ 117,278,873	\$ 113,524,107
Taber Public Library	173,744	168,359
	\$ 117,452,617	\$ 113,692,466

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

	2012	2011
Unrestricted surplus	\$ 2,582,525	\$ 2,577,140
Reserves	8,159,885	6,731,334
Equity in tangible capital assets	106,710,207	104,383,992
	\$ 117,452,617	\$ 113,692,466

TOWN OF TABER

Notes to Consolidated Financial Statements For the year ended December 31, 2012

10. Accumulated surplus (continued)

Reserves are comprised of funds internally restricted as follows:

	2011	Transfers in	Transfers out	2012
General operations	\$ 438,907	\$ 15,000	\$ 43,554	\$ 410,353
Off street parking	6,700	-	-	6,700
Continuing projects	359,835	-	-	359,835
Police Commission	32,282	-	-	32,282
Health and safety	57,133	3,473	-	60,606
Repairs and maintenance	-	150,426	150,426	-
General capital	160,854	1,272,241	15,000	1,418,095
Infrastructure	2,839,223	1,405,345	1,879,403	2,365,165
Buildings	438,191	135,020	77,964	495,247
Equipment	349,302	780,120	503,305	626,117
Land	689,652	176,746	-	866,398
Vehicles	454,868	390,933	325,100	520,701
Funds held in place of municipal reserves	107,988	10,486	-	118,474
Development levies	796,399	83,513	-	879,912
	\$ 6,731,334	\$ 4,423,303	\$ 2,994,752	\$ 8,159,885

Equity in tangible capital assets

	2012	2011
Net book value of tangible capital assets	\$ 115,362,845	\$ 113,555,741
Long -term debt	(8,912,955)	(9,480,500)
Debt charges recoverable	260,317	308,751
	\$ 106,710,207	\$ 104,383,992

11. Trust funds

The Town administers the following trusts:

	2011	Increases	Decreases	2012
Community trust	\$ 98,807	\$ 3,894	\$ -	\$ 102,701
Tax sale trusts	5,265	5	5,270	-
Transfer station trust	(48,381)	80,086	-	31,705
Police trust	1,491	-	-	1,491
	\$ 57,182	\$ 83,985	\$ 5,270	\$ 135,897

These amounts are not reflected in the financial position of the Town.

TOWN OF TABER

Notes to Consolidated Financial Statements

For the year ended December 31, 2012

12. 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:

	2012		2011	
	Salary ⁽¹⁾	Benefits & Allowances ^(2,3)	Total	Total
Members of Council				
Mayor R. Bryant	30,750	842	31,592	30,500
Councillors:				
G. Bekkering	19,250	175	19,425	18,375
J. Papp	18,625	441	19,066	18,937
R. Popadynetz	18,250	429	18,679	18,421
M. Rochelle	18,250	175	18,425	19,188
R. Sparks	19,208	458	19,666	18,679
L. Tams	18,500	437	18,937	18,937
Chief Administrative Officer	73,853	14,694	88,547	144,011
Chief Administrative Officer	32,385	8,122	40,507	-
Interim Chief Administrative Officer	30,286	5,653	35,939	-

- (1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (2) Benefits and allowances figures include the Town's share of all employee benefits and contributions or payments made on behalf of the employee.
- (3) Benefits and allowances figures also include the Town's share of the costs of additional taxable benefits including travel allowances and car allowances.

13. Pension plans

Employees of the Town qualify to belong to one of the following defined-benefits pension plans:

(a) Local Authorities Pension Plan

The Town participates in a multi-employer defined benefit pension plan. The plan is accounted for as a defined contribution plan.

Employees of the Town, with the exception of police officers, participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 214,328 people and 423 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current services are recorded as expenses in the year in which they become due.

TOWN OF TABER

Notes to Consolidated Financial Statements

For the year ended December 31, 2012

13. Pension plans (continued)

The Town is required to make current service contributions to the LAPP of 9.91% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.74% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.91% of pensionable earnings up to the year's maximum pensionable earnings and 12.74% on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2012 were \$329,203 (2011 - \$337,535). Total current service contributions by the employees of the Town to the LAPP in 2012 were \$297,940 (2011 - \$305,831).

At December 31, 2011 the LAPP disclosed an actuarial deficit of \$4,639.4 million.

(b) Special Forces Pension Plan

The Town participates in a multi-employer defined benefit pension plan. The plan is accounted for as a defined contribution plan.

Police officers employed by the Town, including management, participate in the Special Forces Pension Plan (SFPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The SFPP serves about 6,433 people and 7 employers. The plan is financed by employer and employee contributions and by investment earnings of the SFPP Fund.

Contributions for current services are recorded as expenses in the year in which they become due.

The Town is required to make current service contributions to the SFPP of 14.55% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.55% on pensionable earnings above this amount. Police officers of the Town are required to make current service contributions of 13.45% of pensionable earnings up to the year's maximum pensionable earnings and 13.45% on pensionable earnings above this amount.

Total current service contributions by the Town to the SFPP in 2012 were \$179,598 (2011 - \$168,670). Total current service contributions by the police officers of the Town to the SFPP in 2012 were \$166,020 (2011 - \$155,919).

At December 31, 2011 the SFPP Plan disclosed an actuarial deficit of \$609.3 million.

14. Contingent liabilities

- (a) Various claims have been made against the Town as at December 31, 2012. If proven, it is possible that these claims may have an adverse effect on the financial position of the Town. The Town believes that these claims are without substantial merit and as such, the Town is disputing the claims. As the outcomes are not determinable at this time, no amount has been accrued in the financial statements.
- (b) The Town has not recognized liabilities relating to certain obligations, primarily environmental and other liabilities relating to facilities, equipment and land. These liabilities are not recognized as the dates of remediation are unknown and as such the fair value of these liabilities cannot be reasonably determined.

TOWN OF TABER

Notes to Consolidated Financial Statements For the year ended December 31, 2012

15. Commitments

The Town has entered into an agreement with a service provider to construct, operate and finance the upgrade and operation of its water, waste water and certain storm water functions. The term of the agreement is for 20 years from the effective date, with an option to extend the contract for an additional 10 year period. Under the terms of the agreement, the Town transferred specific inventories held for consumption and tangible capital assets related to the service provider, at a nominal amount.

Consideration to be paid for services as stipulated in the agreement includes:

- (a) an amortization fund, aggregating \$18,498,136, to be paid to the Operator by the Town in 240 consecutive monthly blended payments including interest at 6.5%. The Town is able to apply specific grant funding it receives to this fund to reduce the future payments required;
- (b) an operational component comprised of annual operating fees of approximately \$1,781,382 per annum, paid to the operator and adjusted annually for certain factors as outlined in the agreement;
- (c) a cost plus variable management fee component for any future capital additions required for operations.

Upon termination of the agreement, title of all related assets will transfer to the Town.

16. Financial instruments

The Town's financial instruments consist of cash and temporary investments, taxes and grants in lieu receivable, trade and other receivables, long-term investments, debt charges recoverable, accounts payable and accrued liabilities, employee benefit obligations, deposit liabilities and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risk arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in lieu receivable, and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimized the credit risk.

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

17. Segmented disclosure

Segmented disclosures have been identified based upon lines of service provided by the Town. Town services are provided by departments and their activities are reported by functional area in the body of the consolidated financial statements. Certain lines of service that have been separately disclosed in the segmented financial information, along with the services they provide, are as follows:

- (a) General government
The mandate of general government includes all taxation, Council and administrative functional activities.
- (b) Protective services
The mandate of protective services is to provide for the rescue and protection of people and property within the Town through effective and efficient management and coordination of emergency service systems and resources.

TOWN OF TABER

Notes to Consolidated Financial Statements

For the year ended December 31, 2012

17. Segmented disclosure (continued)

(c) Transportation services

The mandate of transportation services is the delivery of municipal public works services relating to the planning, development and maintenance of roadway systems, streets, walks, lighting, storm water flows and public transit.

(d) Environmental services

The mandate of environmental services is the delivery of utility services including water supply and distribution services, wastewater treatment and disposal activities, and solid waste and recycling management.

(e) Public health services

The mandate of public health services is the contribution to Family and Community Support Services (FCSS) and the administration and maintenance of the cemetery.

(f) Planning and development

The mandate of planning and development is the administration of residential, commercial and industrial development services, and operation and maintenance of Town owned buildings.

(g) Parks and recreation

The mandate of parks and recreation includes the operation and maintenance of parks, sportsfields, and recreation and community facilities within the Town.

(h) Culture and libraries

The mandate of culture and libraries includes the operation and maintenance of the community auditorium and meeting rooms, and the support of the Taber Public Library and the ownership of the building.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those adopted by the Town as a whole.

18. Approval of financial statements

These financial statements have been approved by Council and Management.