

TOWN OF TABER
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

TOWN OF TABER
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December 31, 2011

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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



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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, 2011, the consolidated statements of operations and net 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, 2011, 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.

April 23, 2012
Lethbridge, Canada

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Consolidated Statement of Financial Position

As at December 31, 2011, with comparative figures for 2010

	2011	2010 (Restated - Note 2)
Financial assets		
Cash and temporary investments (note 3)	\$ 8,038,020	\$ 5,281,155
Taxes and grants in lieu receivable (note 4)	365,346	371,745
Trade and other receivables	2,098,647	2,523,970
Long-term investments (note 5)	2,043,608	2,348,139
Debt charges recoverable	308,751	354,813
Other financial assets	995	936
	<hr/> 12,855,367	<hr/> 10,880,758
Liabilities		
Accounts payable and accrued liabilities	1,148,436	1,478,006
Employee benefit obligations (note 6)	586,967	571,437
Deposit liabilities	497,033	488,684
Deferred revenue (note 7)	2,189,491	848,018
Provision for landfill post-closure costs (note 8)	286,610	304,540
Long-term debt (note 9)	9,480,500	10,042,974
	<hr/> 14,189,037	<hr/> 13,733,659
Net financial debt	<hr/> (1,333,670)	<hr/> (2,852,901)
Non-financial assets		
Tangible capital assets (schedule 2)	113,555,741	113,053,128
Land held for resale	989,372	1,024,086
Inventory held for consumption	66,503	56,547
Prepaid expenses	414,520	357,829
	<hr/> 115,026,136	<hr/> 114,491,590
Accumulated surplus (schedule 1, note 11)	<hr/> 113,692,466	<hr/> 111,638,689
Contingent liabilities (note 15)		
Commitments (note 16)		

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Consolidated Statement of Operations and Accumulated Surplus For the year ended December 31, 2011, with comparative figures for 2010

	Budget (Unaudited)	2011	2010 (Restated - Note 2)
Revenue			
Net taxes available for municipal purposes (schedule 3)	\$ 7,129,036	\$ 7,141,210	\$ 6,692,953
Sales and user fees	7,659,872	7,925,781	7,289,428
Government transfers for operating (schedule 4)	1,291,931	1,387,084	1,235,740
Penalties and costs of taxes	85,000	118,004	109,201
Fines	230,950	392,306	212,350
Franchise and concession contracts	1,030,105	1,128,288	1,010,609
Investment income	152,500	161,418	176,008
Licenses and permits	196,400	302,227	209,821
Rentals	659,445	693,321	646,795
Other	243,640	307,610	385,261
	18,678,879	19,557,249	17,968,166
Expenses (schedule 5)			
Council and other legislative	448,731	255,922	258,166
General government	1,561,658	1,561,955	1,358,653
Police	2,567,028	2,648,813	2,367,868
Fire	611,554	613,730	449,263
Disaster	6,500	-	547
Ambulance	1,107,909	1,376,260	1,209,665
Bylaw	149,048	141,714	150,348
Roads, walks and street lighting	3,110,296	3,912,783	3,364,565
Public transit	36,000	36,000	116,138
Stormwater	411,126	481,658	1,375,774
Water supply and distribution	1,636,254	1,767,219	1,614,712
Wastewater treatment and disposal	3,303,542	3,257,561	3,750,640
Waste management	1,249,978	1,102,042	946,160
Family and community support	52,720	51,697	50,211
Cemeteries	107,518	89,287	104,603
Land use planning, zoning and development	311,718	363,245	344,828
Subdivision land and development	86,722	47,940	(24,461)
Public housing	8,672	8,662	10,294
Land, housing and building rentals	334,864	337,241	331,298
Parks and recreation	2,196,565	2,311,898	2,306,250
Culture	682,782	656,899	646,678
	19,981,185	21,022,526	20,732,200
Deficiency of revenue over expenses before other	(1,302,306)	(1,465,277)	(2,764,034)
Other			
Contributed assets	-	846,919	7,835,182
Government transfers for capital (schedule 4)	6,003,336	2,672,135	5,510,209
Excess of revenue over expenses	4,701,030	2,053,777	10,581,357
Accumulated surplus, beginning of year	111,638,689	111,638,689	101,057,332
Accumulated surplus, end of year	\$ 116,339,719	\$ 113,692,466	\$ 111,638,689

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Consolidated Statement of Change in Net Financial Assets (Debt) For the year ended December 31, 2011, with comparative figures for 2010

	Budget (Unaudited)	2011	2010 (Restated - Note 2)
Excess of revenue over expenses	\$ 4,701,030	\$ 2,053,777	\$ 10,581,357
Acquisition of tangible capital assets	(10,390,687)	(3,814,585)	(6,729,614)
Contributed tangible capital assets	-	(846,919)	(7,835,182)
Amortization of tangible capital assets	3,743,620	3,699,323	3,593,231
Loss on disposal of tangible capital assets	-	397,718	968,241
Proceeds on disposal of tangible capital assets	-	61,849	81,542
	(1,946,037)	1,551,163	659,575
Acquisition of inventories of supplies	-	(66,503)	(56,547)
Acquisition of prepaid expenses	-	(414,520)	(357,829)
Disposal of land held for resale	-	34,714	-
Consumption of inventories of supplies	-	56,548	101,392
Use of prepaid expenses	-	357,829	407,261
	-	(31,932)	94,277
Decrease (increase) in net financial debt	(1,946,037)	1,519,231	753,852
Net financial debt, beginning of year	(2,852,901)	(2,852,901)	(3,606,753)
Net financial debt, end of year	\$ (4,798,938)	\$ (1,333,670)	\$ (2,852,901)

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Consolidated Statement of Cash Flows

For the year ended December 31, 2011, with comparative figures for 2010

	2011	2010 (Restated - Note 2)
Cash flows provided by (used in) the following activities:		
Operating		
Excess of revenue over expenses	\$ 2,053,777	\$ 10,581,357
Items not involving cash:		
Amortization of tangible capital assets	3,699,323	3,593,231
Contributed tangible capital assets	(846,919)	(7,835,182)
Loss on disposal of tangible capital assets	397,718	968,241
Change in non-cash assets and liabilities:		
Taxes and grants in lieu receivable	6,399	(61,667)
Trade and other receivables	425,323	(1,115,941)
Debt charges recoverable	46,062	43,815
Other financial assets	(59)	4,357
Accounts payable and accrued liabilities	(329,569)	940,002
Employee benefit obligations	15,530	34,129
Deposit liabilities	8,349	22,611
Deferred revenue	1,341,473	(278,180)
Provision for landfill post-closure costs	(17,930)	(6,030)
Land held for resale	34,714	-
Inventory held for consumption	(9,956)	44,846
Prepaid expenses	(56,691)	49,432
	6,767,544	6,985,021
Capital		
Proceeds on disposal of tangible capital assets	61,849	81,542
Purchase of tangible capital assets	(3,814,585)	(6,729,614)
	(3,752,736)	(6,648,072)
Investing		
Purchase (disposal) of long-term investments	304,531	(908,453)
	304,531	(908,453)
Financing		
Proceeds of debt charges recoverable issued	-	-
Repayment of debt charges recoverable	(46,063)	(43,815)
Proceeds of long-term debt	-	-
Repayment of long-term debt	(516,411)	(513,826)
	(562,474)	(557,641)
Net increase (decrease) in cash and cash equivalents	2,756,865	(1,129,145)
Cash and cash equivalents, beginning of year	5,281,155	6,410,300
Cash and cash equivalents, end of year	\$ 8,038,020	\$ 5,281,155

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Consolidated Schedule of Changes in Accumulated Surplus

For the year ended December 31, 2011, with comparative figures for 2010
Schedule 1

	Unrestricted Net Assets	Reserves	Equity in tangible capital assets	2011	2010 (Restated - Note 2)
Beginning balance	\$ 2,581,939	\$ 5,691,783	\$ 103,364,967	\$ 111,638,689	\$ 101,057,332
Excess of revenue over expenses	2,053,777	-	-	2,053,777	10,581,357
Operating reserves					
Transfers to reserves	(190,877)	190,877	-	-	-
Transfers from reserves	340,559	(340,559)	-	-	-
Capital reserves					
Transfers to reserves	(2,641,326)	2,641,326	-	-	-
Transfers from reserves for operating purposes	367,263	(367,263)	-	-	-
Transfers from reserves for capital purposes	-	(1,084,830)	1,084,830	-	-
Capital investing					
Capital assets internally funded	(2,729,755)	-	2,729,755	-	-
Contributed assets	(846,919)	-	846,919	-	-
Proceeds on disposal of tangible capital assets	61,849	-	(61,849)	-	-
Loss on disposal of tangible capital assets	397,718	-	(397,718)	-	-
Amortization of tangible capital assets	3,699,323	-	(3,699,323)	-	-
Capital financing					
Principal payment of capital debt	(516,411)	-	516,411	-	-
Total	\$ 2,577,140	\$ 6,731,334	\$ 104,383,992	\$ 113,692,466	\$ 111,638,689

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Consolidated Schedule of Tangible Capital Assets

For the year ended December 31, 2011

Schedule 2

Cost	2010 (Restated - Note 2)	Additions	Disposals	Transfers of assets under construction	2011
Land	\$ 973,449	\$ -	\$ 1	\$ -	\$ 973,448
Land improvements	3,189,718	-	-	-	3,189,718
Buildings	14,678,452	-	-	-	14,678,452
Engineering structures	139,644,377	2,926,643	775,135	347,922	142,143,807
Machinery and equipment	4,586,291	817,229	269,736	47,546	5,181,330
Vehicles	2,752,892	170,156	48,540	-	2,874,508
Assets under construction	603,440	747,476	15,000	(395,468)	940,448
Total	\$ 166,428,619	\$ 4,661,504	\$ 1,108,412	\$ -	\$ 169,981,711

Accumulated amortization	2010 (Restated - Note 2)	Amortization expense	Disposals	2011
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	987,698	115,513	-	1,103,211
Buildings	4,418,052	327,929	-	4,745,981
Engineering structures	43,932,480	2,731,139	345,901	46,317,718
Machinery and equipment	2,525,632	369,117	254,403	2,640,346
Vehicles	1,511,629	155,625	48,540	1,618,714
Assets under construction	-	-	-	-
Total	\$ 53,375,491	\$ 3,699,323	\$ 648,844	\$ 56,425,970

Net book value	2010 (Restated - Note 2)	2011
Land	\$ 973,449	\$ 973,448
Land improvements	2,202,020	2,086,507
Buildings	10,260,400	9,932,471
Engineering structures	95,711,897	95,826,089
Machinery and equipment	2,060,659	2,540,984
Vehicles	1,241,263	1,255,794
Assets under construction	603,440	940,448
Total	\$ 113,053,128	\$ 113,555,741

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

For the year ended December 31, 2011

Schedule 3

	Budget (Unaudited)	2011	2010
Taxation:			
Real property taxes	\$ 8,964,666	\$ 8,980,722	\$ 8,438,171
Linear property taxes	214,888	214,902	216,162
Government grants in place of property taxes	84,344	84,344	79,654
Local improvement taxes	14,598	15,204	23,745
	9,278,496	9,295,172	8,757,732
Requisition:			
Alberta School Foundation Fund	1,800,233	1,804,089	1,726,053
Holy Spirit School Division	290,461	290,992	281,647
Taber & District Housing Authority	58,766	58,881	57,079
	2,149,460	2,153,962	2,064,779
Net taxes available for municipal purposes	\$ 7,129,036	\$ 7,141,210	\$ 6,692,953

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Consolidated Schedule of Government Transfers

For the year ended December 31, 2011, with comparative figures for 2010
Schedule 4

	Budget (Unaudited)	2011	2010
Transfers for operating:			
Provincial government	\$ 542,052	\$ 1,013,793	\$ 874,860
Federal government	23,456	18,163	33,973
Other local governments	726,423	355,128	326,907
	1,291,931	1,387,084	1,235,740
Transfers for capital:			
Provincial government	4,341,713	1,618,881	1,067,361
Federal government	1,619,623	1,010,833	4,442,848
Other local governments	42,000	42,421	-
	6,003,336	2,672,135	5,510,209
Total government transfers	\$ 7,295,267	\$ 4,059,219	\$ 6,745,949

Consolidated Schedule of Expenses by Object

For the year ended December 31, 2011, with comparative figures for 2010
Schedule 5

	Budget (Unaudited)	2011	2010 (Restated - Note 2)
Salaries, wages and benefits	\$ 7,606,585	\$ 7,790,165	\$ 7,409,630
Contracted and general services	4,870,638	5,532,045	5,382,194
Materials, goods and supplies	2,554,238	2,613,557	2,475,984
Provision for allowances	13,000	31,052	14,890
Transfers to local boards and agencies	206,954	210,501	259,741
Bank charges and short-term interest	8,825	6,096	5,000
Interest on long-term debt	586,353	586,316	619,989
Amortization of tangible capital assets	3,743,620	3,699,323	3,593,231
Loss on disposal of tangible capital assets	-	397,718	968,241
Other	390,972	155,753	3,300
	\$ 19,981,185	\$ 21,022,526	\$ 20,732,200

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Consolidated Schedule of Segmented Disclosure

For the year ended December 31, 2011

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	\$ 7,126,006	\$ -	\$ 15,204	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,141,210
Sales and user fees	121,670	1,406,515	316,140	5,816,358	45,092	96,414	111,197	12,395	7,925,781
Government transfers for operating	-	567,821	31,999	549,144	2,464	-	152,214	83,442	1,387,084
Penalties and costs of taxes	89,845	-	-	28,159	-	-	-	-	118,004
Fines	-	385,312	-	-	-	-	-	6,994	392,306
Franchise and concession contracts	1,128,288	-	-	-	-	-	-	-	1,128,288
Investment income	148,141	-	7,477	5,441	-	-	-	359	161,418
Licenses and permits	-	3,501	-	-	760	297,966	-	-	302,227
Rentals	52,647	-	-	47,740	-	83,885	441,882	67,167	693,321
Other	176,823	4,004	-	3,219	-	92,260	20,551	10,753	307,610
	8,843,420	2,367,153	370,820	6,450,061	48,316	570,525	725,844	181,110	19,557,249
Expenses									
Salaries, wages and benefits	1,073,233	3,777,038	879,837	301,511	56,595	371,279	1,071,847	258,825	7,790,165
Contracted and general services	485,674	482,717	1,051,735	2,793,049	15,422	310,627	327,796	65,025	5,532,045
Materials, goods and supplies	104,027	275,858	512,040	976,360	4,449	20,560	554,658	165,605	2,613,557
Provision for allowances	16,569	13,439	-	1,044	-	-	-	-	31,052
Transfers to local boards and agencies	30,320	-	36,000	43,446	51,697	-	-	49,038	210,501
Bank charges and short-term interest	5,585	38	-	-	-	-	-	473	6,096
Interest on long-term debt	-	-	24,785	486,615	-	8,662	6,805	59,449	586,316
Amortization of tangible capital assets	102,469	231,385	1,529,075	1,398,511	12,821	36,244	330,802	58,016	3,699,323
Loss (gain) on disposal of tangible capital assets	-	43	396,969	5,716	-	(24,999)	19,989	-	397,718
Other	-	-	-	120,570	-	34,714	-	469	155,753
	1,817,877	4,780,518	4,430,441	6,126,822	140,984	757,087	2,311,897	656,900	21,022,526
Excess (deficiency) of revenue over expenses before other	7,025,543	(2,413,365)	(4,059,621)	323,239	(92,668)	(186,562)	(1,586,053)	(475,790)	(1,465,277)
Other									
Contributed assets	-	-	480,175	354,005	-	-	12,739	-	846,919
Government transfers for capital	-	42,421	892,144	1,731,525	-	-	6,045	-	2,672,135
Excess (deficiency) of revenue over expenses	\$ 7,025,543	\$ (2,370,944)	\$ (2,687,302)	\$ 2,408,769	\$ (92,668)	\$ (186,562)	\$ (1,567,269)	\$ (475,790)	\$ 2,053,777

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Notes to Consolidated Financial Statements

For the year ended December 31, 2011

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.

(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.

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Notes to Consolidated Financial Statements

For the year ended December 31, 2011

(e) 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.

(f) 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.

(g) 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.

(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.

(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 levelling 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.

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Notes to Consolidated Financial Statements

For the year ended December 31, 2011

(h) 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.

(i) 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.

(j) 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.

(k) 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.

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Notes to Consolidated Financial Statements

For the year ended December 31, 2011

(I) 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. Correction of error

Subsequent to issuing its 2010 consolidated financial statements, the Town has determined that certain tangible capital assets and employee benefit obligations had been omitted from its consolidated financial statements. Further, it was determined that certain tangible capital assets in 2010 and prior years were overstated.

These accounting adjustments have changed the net book value of tangible capital assets, employee benefit obligations, accumulated surplus, and the annual surplus amounts reported in the prior period. These changes have been applied with retrospective effect as follows:

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Notes to Consolidated Financial Statements

For the year ended December 31, 2011

2. Correction of error (continued)

	2010
Accumulated surplus for 2010	
Accumulated surplus, as previously reported	\$ 122,203,196
Adjustment to employee benefit obligation	(86,830)
Adjustment to net book value of tangible capital assets	(10,477,677)
	<hr/> \$ 111,638,689 <hr/>
Annual surplus for 2010	
Excess of revenue over expenses, as previously reported	\$ 10,506,298
Adjustment to employee benefit obligation expenses	(5,418)
Adjustment to amortization expense	80,477
	<hr/> \$ 10,581,357 <hr/>

3. Cash and temporary investments

	2011	2010
Cash	\$ 1,132,540	\$ 1,126,765
Temporary investments (market value 2011 - \$6,989,878; 2010 - \$4,188,471)	6,905,480	4,154,390
	<hr/> \$ 8,038,020	<hr/> \$ 5,281,155 <hr/>

The temporary investments are comprised of short-term deposits issued by either a Canadian province or Canadian financial institution. These investments mature between April 12, 2012 to November 14, 2012, but are redeemable at managements discretion.

Included in temporary investments are restricted amounts of \$1,244,806, and \$435,895 received from Municipal Sustainability Initiative, and Federal Gas Tax Fund respectively and held exclusively for capital projects (note 7).

4. Taxes and grants in lieu receivable

	2011	2010
Current taxes and grants in place of taxes	\$ 271,265	\$ 294,291
Tax arrears	94,081	77,454
	<hr/> \$ 365,346	<hr/> \$ 371,745 <hr/>

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Notes to Consolidated Financial Statements For the year ended December 31, 2011

5. Long-term investments

	2011		2010	
	Cost	Market Value	Cost	Market Value
Guaranteed Investment Certificates	\$ 1,527,946	\$ 1,586,603	\$ 1,848,429	\$ 1,931,280
Corporate bonds	511,655	521,109	495,561	501,649
Patronage reserves - United Farmers of Alberta	3,225	3,225	3,225	3,225
Equity in Association of Alberta Municipal Districts and Counties	691	691	833	833
Shares in Alberta Capital Finance Authority	40	40	40	40
Shares in 1st Choice Savings & Credit Union Ltd.	51	51	51	51
	\$ 2,043,608	\$ 2,111,719	\$ 2,348,139	\$ 2,437,078

Guaranteed Investment Certificates have effective interest rates of 3.35% to 4.99% (2010 - 2.15% to 4.99%) with maturity dates from June 17, 2013 to June 20, 2016.

Corporate bonds have effective interest rates of 3.25% (2010 - 3.25%) with maturity dates from June 3, 2013 to November 4, 2013.

6. Employee benefit obligations

	2011	2010
Vacation and other entitlements	\$ 586,967	\$ 571,437

The vacation, overtime and sick leave liability is comprised of the vacation, overtime and sick leave 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.

7. Deferred revenue

	2011	2010
Prepaid property taxes	\$ 22,792	\$ 17,801
Prepaid local improvement charges	1,043	1,649
Provincial conditional grants	1,778,279	525,379
Revenues from services not yet provided	387,377	303,189
	\$ 2,189,491	\$ 848,018

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Notes to Consolidated Financial Statements

For the year ended December 31, 2011

7. Deferred revenue (continued)

Deferred provincial conditional grants include:

- (a) Municipal Sustainability Initiative advanced funding in the amount of \$1,356,951. The Town earned \$6,659 of restricted interest on these funds. These funds are restricted to be used on eligible approved capital projects, as approved under the funding agreement, which are scheduled for completion in 2012. During the year, the Town spent \$118,804 of these restricted funds. The remaining balance of \$1,244,806 has been deferred. The balance is supported by temporary investments held exclusively for these projects (Note 3).
- (b) Federal Gas Tax Fund advanced funding in the amount of \$435,865. The Town earned \$30 of restricted interest on these funds. These funds are restricted to be used on eligible approved capital projects, as approved under the funding agreement, which are scheduled for completion in 2012.
- (b) The remaining balance is made up of various restricted provincial funding received for specific projects, which had not yet been completed at year-end.

8. 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 \$286,610 for 2011 (2010 - \$304,540) is based on the sum of discounted future cash flows for post-closure activities for 18 years (2010 - 19 years) using a discount rate of 2.1% (2010 - 2.1%) and assuming annual inflation of 2.4% (2010 - 2.5%).

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

9. Long-term debt

	2011	2010
Tax supported:		
Debenture issued for the construction of library building	\$ 1,318,912	\$ 1,380,087
Self supported:		
Debenture from debt charges recoverable (Taber & District Housing Authority)	122,741	148,970
Debenture from debt charges recoverable (Taber Golf Club)	186,010	205,843
Amortization fund bearing interest at 6.5% (note 16)	7,852,837	8,308,074
	9,480,500	10,042,974
Current portion	567,545	562,474
	\$ 8,912,955	\$ 9,480,500

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Notes to Consolidated Financial Statements

For the year ended December 31, 2011

9. Long-term debt (continued)

	Principal	Interest	Total
2012	\$ 567,545	\$ 553,685	\$ 1,121,230
2013	572,865	519,619	1,092,484
2014	578,449	485,292	1,063,741
2015	584,311	450,686	1,034,997
2016	554,736	415,790	970,526
Thereafter	6,622,594	2,413,519	9,036,113
	\$ 9,480,500	\$ 4,838,591	\$ 14,319,091

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 \$587,499 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 16. It bears interest at 6.5% and matures in 2029.

10. Debt limits

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

	2011	2010
Total debt limit	\$ 29,399,506	\$ 26,952,250
Total debt	(9,480,500)	(10,042,974)
Amount of debt limit unused	\$ 19,919,006	\$ 16,909,276
Debt servicing limit	\$ 4,899,918	\$ 4,492,042
Debt servicing	(1,121,230)	(1,149,973)
Amount of debt servicing limit unused	\$ 3,778,688	\$ 3,342,069

TOWN OF TABER

Notes to Consolidated Financial Statements

For the year ended December 31, 2011

10. Debt limits (continued)

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.

11. Accumulated surplus

	2011	2010
		(Restated - Note 2)
General government operations	\$ 113,524,107	\$ 111,492,744
Taber Public Library	168,359	145,945
	\$ 113,692,466	\$ 111,638,689

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

	2011	2010
		(Restated - Note 2)
Unrestricted surplus	\$ 2,577,140	\$ 2,581,939
Reserves	6,731,334	5,691,783
Equity in tangible capital assets	104,383,992	103,364,967
	\$ 113,692,466	\$ 111,638,689

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Notes to Consolidated Financial Statements For the year ended December 31, 2011

11. Accumulated surplus (continued)

Reserves are comprised of funds internally restricted as follows:

	2010	Transfers in	Transfers out	2011
General operations	\$ 588,907	\$ 15,000	\$ 165,000	\$ 438,907
Off street parking	6,700	-	-	6,700
Continuing projects	359,835	-	-	359,835
Police Commission	32,282	-	-	32,282
Health and safety	27,781	29,352	-	57,133
Repairs and maintenance	29,035	146,524	175,559	-
General capital	160,854	-	-	160,854
Infrastructure	1,487,316	2,030,220	678,313	2,839,223
Buildings	422,444	131,091	115,344	438,191
Equipment	858,087	237,840	746,625	349,302
Land	545,986	143,666	-	689,652
Vehicles	308,623	298,190	151,945	454,868
Funds held in place of municipal reserves	178,456	6,757	77,225	107,988
Development levies	685,477	110,922	-	796,399
	\$ 5,691,783	\$ 3,149,562	\$ 2,110,011	\$ 6,731,334

Equity in tangible capital assets

	2011	2010 (Restated - Note 2)
Net book value of tangible capital assets	\$ 113,555,741	\$ 113,053,128
Long -term debt	(9,480,500)	(10,042,974)
Debt charges recoverable	308,751	354,813
	\$ 104,383,992	\$ 103,364,967

12. Trust funds

The Town administers the following trusts:

	2010	Increases	Decreases	2011
Community trust	\$ 95,978	\$ 2,829	\$ -	\$ 98,807
Tax sale trusts	5,090	175	-	5,265
Transfer station trust	(168,952)	120,571	-	(48,381)
Police trust	1,491	-	-	1,491
	\$ (66,393)	\$ 123,575	\$ -	\$ 57,182

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

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Notes to Consolidated Financial Statements

For the year ended December 31, 2011

13. 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:

	2011		2010	
	Salary ⁽¹⁾	Benefits & Allowances ^(2,3)	Total	Total
Members of Council				
Mayor R. Bryant	30,500	-	30,500	31,143
Councillors:				
A. Andres	-	-	-	10,591
G. Bekkering	18,375	-	18,375	18,786
J. Papp	18,500	437	18,937	20,009
R. Popadynetz	18,000	421	18,421	3,096
M. Rochelle	19,188	-	19,188	19,039
T. Sargeant	-	-	-	15,481
R. Sparks	18,250	429	18,679	3,096
L. Tams	18,500	437	18,937	20,139
Chief Administrative Officer	120,748	23,263	144,011	103,049
Chief Administrative Officer	-	-	-	55,625

(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.

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Notes to Consolidated Financial Statements For the year ended December 31, 2011

14. 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 206,249 people and 421 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.

The Town is required to make current service contributions to the LAPP of 9.49% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.13% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.49% of pensionable earnings up to the year's maximum pensionable earnings and 12.13% on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2011 were \$337,535 (2010 - \$304,489). Total current service contributions by the employees of the Town to the LAPP in 2011 were \$305,831 (2010 - \$272,982).

At December 31, 2010 the LAPP disclosed an actuarial deficit of \$4,635.3 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 6,261 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 2011 were \$168,670 (2010 - \$138,684). Total current service contributions by the police officers of the Town to the SFPP in 2011 were \$155,919 (2010 - \$126,766).

At December 31, 2010 the SFPP Plan disclosed an actuarial deficit of \$580.7 million.

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Notes to Consolidated Financial Statements

For the year ended December 31, 2011

15. Contingent liabilities

- (a) Various claims have been made against the Town as at December 31, 2011. If proven, it is possible that these claims may have an adverse effect on the financial position of the Town. The Town is disputing the claims and as the outcome is 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.

16. 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 \$1,746,450 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.

17. 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.

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Notes to Consolidated Financial Statements

For the year ended December 31, 2011

18. 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.

(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.

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Notes to Consolidated Financial Statements

For the year ended December 31, 2011

19. Comparative figures

The comparative figures for the 2010 year have been reclassified to conform with the 2011 financial statement presentation.

20. Approval of financial statements

These financial statements have been approved by Council and Management.