

Municipal District of Fairview No. 136

Financial Statements

December 31, 2014

Municipal District of Fairview No. 136

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MANAGEMENT'S REPORT

The accompanying consolidated financial statements and other information contained in this Financial Report are the responsibility of the management of the **Municipal District of Fairview No. 136**.

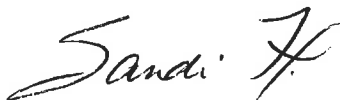
These consolidated financial statements have been prepared by management. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Municipal District of Fairview No. 136 maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Municipal District's assets are appropriately accounted for and adequately safeguarded.

The elected Council of the Municipal District of Fairview No. 136 are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Council meets annually with management to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Doyle & Company, Chartered Accountants, the external auditors, in accordance with Canadian public sector accounting standards on behalf of the Council, residents and ratepayers of the Municipal District of Fairview No. 136. Doyle & Company has full and free access to the Municipal District's Council.



Sandra Fox

Chief Administrative Officer

Allan J. Grykuliak, C.A.*
Scott T. Mockford, C.A.*

* Operates as a Professional Corporation

AUDITORS' REPORT

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Edmonton, Alberta T5H 0Y1
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To the Members of Council

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the **Municipal District of Fairview No. 136**, which comprise the statement of financial position as at December 31, 2014 and the statements of operations, change in net financial assets and the statement of cash flows for the year then ended, and 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

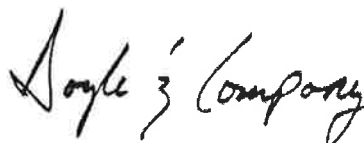
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparations 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Municipal District of Fairview No. 136 as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Accountants

Edmonton, Alberta
April 15, 2015

Municipal District of Fairview No. 136
Consolidated Statement of Financial Position
As at December 31, 2014

	2014	2013 (Restated)
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	8,361,559	7,741,954
Receivables (Note 3)		
Taxes and grants in lieu receivable	165,056	252,593
Trade and other receivables	289,705	282,365
Investments (Note 4)	29,006	29,372
	8,845,326	8,306,284
LIABILITIES		
Accounts payable and accrued liabilities	273,652	332,170
Deferred revenue (Note 6)	555,569	-
Deposit liabilities	1,400	1,400
	830,621	333,570
NET FINANCIAL ASSETS	8,014,705	7,972,714
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	17,774,128	17,177,328
Inventory for consumption (Note 14)	138,497	241,092
Prepaid expenses	94,774	78,556
	18,007,399	17,496,976
ACCUMULATED SURPLUS (Schedule 1, Note 9)	26,022,104	25,469,690

The accompanying notes form part of these financial statements

Municipal District of Fairview No. 136

Consolidated Statement of Operations

For the year ended December 31, 2014

	Budget	2014	2013 (Restated)
	\$	\$	\$
REVENUE			
Net municipal taxes (Schedule 3)	5,446,706	5,402,129	5,372,788
User fees and sales of goods	542,775	603,960	503,403
Government transfers (Schedule 4)	560,181	360,677	759,715
Investment income	94,800	104,704	98,258
Oil well drilling taxes	-	3,044	-
Total Revenues	6,644,462	6,474,514	6,734,164
EXPENSES			
Administration	859,750	796,313	790,139
Agriculture service board	468,978	463,475	431,140
Airport	138,450	179,475	224,953
Animal control	5,200	4,515	3,390
Cemeteries	81,000	55,860	18,438
Culture and library	74,800	77,386	75,805
Family community support services	23,110	23,310	23,110
Fire	94,400	93,657	94,896
Gravel	390,450	398,276	488,867
Land use planning and development	117,875	195,300	108,232
Legislative	185,250	179,294	155,221
Parks and recreation	421,250	705,166	401,588
Public health and safety	86,618	62,052	41,890
Public works	1,987,350	2,609,286	2,491,863
Utilities	138,490	136,768	131,998
Waste management	133,000	130,174	98,967
Wastewater treatment and disposal	72,350	68,780	53,413
Water supply and distribution	209,000	222,215	221,185
Total Expenses	5,487,321	6,401,302	5,855,095
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	1,157,141	73,212	879,069
OTHER			
Government transfers for capital (Schedule 4)	1,721,107	479,202	1,010,239
EXCESS OF REVENUE OVER EXPENSES	2,878,248	552,414	1,889,308
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	25,469,690	23,580,382
ACCUMULATED SURPLUS, END OF YEAR	-	26,022,104	25,469,690

The accompanying notes form part of these financial statements

Municipal District of Fairview No. 136
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2014

	2014	2013 (Restated)
	\$	\$
EXCESS OF REVENUES OVER EXPENSES	552,414	1,889,308
Acquisition of tangible capital assets	(2,072,883)	(1,881,051)
Proceeds on disposal of tangible capital assets	360,000	220,500
Amortization of tangible capital assets	969,188	914,446
Loss on disposal of tangible capital assets	146,895	4,097
	(596,800)	(742,008)
Acquisition of supplies inventories	(138,497)	(241,092)
Acquisition of prepaid assets	(94,774)	(78,556)
Use of supplies inventories	241,092	139,613
Use of prepaid assets	78,556	75,691
	86,377	(104,344)
INCREASE IN NET ASSETS	41,991	1,042,956
NET FINANCIAL ASSETS, BEGINNING OF YEAR	7,972,714	6,929,758
NET FINANCIAL ASSETS, END OF YEAR	8,014,705	7,972,714

The accompanying notes form part of these financial statements

Municipal District of Fairview No. 136

Consolidated Statement of Cash Flows

For the year ended December 31, 2014

	2014	2013
	\$	(Restated) \$
OPERATING		
Excess of revenue over expenditures	552,414	1,889,308
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	969,188	914,446
Loss on disposal of tangible capital assets	146,895	4,097
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	87,537	(10,005)
Increase in trade and other receivables	(7,340)	(150,943)
Increase in prepaid expenditures	(16,218)	(2,865)
Decrease (increase) in inventory for consumption	102,595	(101,479)
Decrease in accounts payable and accrued liabilities	(58,518)	(154,716)
Increase in deferred revenue	555,569	-
Cash from operations	2,332,122	2,387,843
CAPITAL		
Acquisition of tangible capital assets	(2,072,883)	(1,881,051)
Proceeds on disposal of tangible capital assets	360,000	220,500
Cash applied to capital transactions	(1,712,883)	(1,660,551)
INVESTING		
Decrease (increase) in investments	366	(7,317)
CHANGE IN CASH DURING THE YEAR	619,605	719,975
CASH, BEGINNING OF YEAR	7,741,954	7,021,979
CASH, END OF YEAR	8,361,559	7,741,954

The accompanying notes form part of these financial statements

Municipal District of Fairview No. 136
Schedule of Changes in Accumulated Surplus - Schedule 1

For the year ended December 31, 2014

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2014 \$	2013 \$
Balance, Beginning of Year, as originally stated	1,669,626	6,724,473	17,177,328	25,571,427	23,580,382
Prior period adjustment (Note 14)	(101,737)	-	-	(101,737)	-
Balance, Beginning of Year, as restated	1,567,889	6,724,473	17,177,328	25,469,690	23,580,382
Excess of revenue over expenses	552,414	-	-	552,414	1,889,308
Unrestricted funds designated for future use	(1,719,547)	1,719,547	-	-	-
Restricted funds used for tangible capital assets	-	(1,333,116)	1,333,116	-	-
Current years funds used for tangible capital assets	(739,767)	-	739,767	-	-
Disposal of tangible capital assets	506,895	-	(506,895)	-	-
Annual amortization expenses	969,188	-	(969,188)	-	-
Change in accumulated surplus	(430,817)	386,431	596,800	552,414	1,889,308
Balance, End of Year	1,137,072	7,110,904	17,774,128	26,022,104	25,469,690

The accompanying notes form part of these financial statements

Municipal District of Fairview No. 136
Schedule of Tangible Capital Assets - Schedule 2

For the year ended December 31, 2014

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2014 \$	2013 \$
COST:								
Balance, Beginning of Year	286,344	1,972,694	2,254,411	37,259,058	6,024,220	406,902	48,203,629	46,735,286
Acquisition of tangible capital assets	-	-	73,036	1,007,210	886,011	43,870	2,010,127	978,206
Construction-in-progress	-	-	-	62,756	-	-	62,756	902,845
Disposal of tangible capital assets	-	-	-	(268,845)	(802,830)	-	(1,071,675)	(412,708)
Balance, End of Year	286,344	1,972,694	2,327,447	38,060,179	6,107,401	450,772	49,204,837	48,203,629
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	1,164,714	507,554	25,994,094	3,111,860	248,079	31,026,301	30,299,966
Annual amortization	-	61,639	51,840	367,028	452,182	36,499	969,188	914,446
Accumulated amortization on disposals	-	-	-	(255,062)	(309,718)	-	(564,780)	(188,111)
Balance, End of Year	-	1,226,353	559,394	26,106,060	3,254,324	284,578	31,430,709	31,026,301
NET BOOK VALUE	286,344	746,341	1,768,053	11,954,119	2,853,077	166,194	17,774,128	17,177,328
2013 NET BOOK VALUE	286,344	807,980	1,746,857	11,264,964	2,912,360	158,823	17,177,328	

The accompanying notes form part of these financial statements

Municipal District of Fairview No. 136
Schedule of Property and Other Taxes - Schedule 3
For the year ended December 31, 2014

	Budget	2014	2013
	\$	\$	\$
TAXATION			
Real property taxes	3,621,509	3,579,442	3,519,589
Linear property taxes	2,807,733	2,811,327	2,807,808
Government grants in place of property taxes	1,769	1,764	1,824
Penalties and costs	28,000	21,891	31,487
	6,459,011	6,414,424	6,360,708
REQUISITIONS			
Provincial School Foundation Fund	926,485	926,479	902,488
Senior Foundation	85,820	85,816	85,432
	1,012,305	1,012,295	987,920
NET MUNICIPAL TAXES	5,446,706	5,402,129	5,372,788

The accompanying notes form part of these financial statements

Municipal District of Fairview No. 136
Schedule of Government Transfers - Schedule 4
For the year ended December 31, 2014

	Budget	2014	2013
	\$	\$	\$
<u>OPERATING</u>			
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	290,181	290,180	589,873
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements and grants	270,000	70,497	169,842
	560,181	360,677	759,715
<u>CAPITAL</u>			
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	1,721,107	479,202	1,010,239

The accompanying notes form part of these financial statements

Municipal District of Fairview No. 136
Schedule of Consolidated Expenses by Object - Schedule 5
For the year ended December 31, 2014

	Budget	2014	2013
	\$	\$	(Restated) \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	2,000,543	1,952,555	1,841,909
Contracted and general services	1,677,573	1,469,522	1,452,300
Materials, goods and utilities	1,244,500	1,018,694	1,145,030
Provision for allowances	2,000	1,419	-
Transfers to local boards and agencies	190,600	190,238	257,745
Transfers to individuals and organizations	364,105	640,915	232,412
Bank charges and short-term interest	8,000	11,876	7,153
Amortization of tangible capital assets	-	969,188	914,448
Loss (gain) on disposal of tangible capital assets	-	146,895	4,098
	5,487,321	6,401,302	5,855,095

The accompanying notes form part of these financial statements

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2014

DESCRIPTION OF OPERATIONS

The Municipal District of Fairview No. 136 is a local government authority providing municipal services. The municipality is empowered through bylaws and policies approved by Council and pursuant to the Municipal Government Act.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Municipal District of Fairview No. 136 are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the municipality are as follows:

(a) Reporting Entity

These financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and changes in financial position of the reporting entity.

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

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

(b) Basis of Accounting

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

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

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

(c) Use of Estimates

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

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Cash and temporary investments

Cash and temporary investments consists of bank accounts and temporary investments with maturities of three months or less.

(e) Investments

Investments are recorded at cost.

(f) Inventories

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

(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, the 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 over expenses, provides the consolidated Change in Net Financial Assets 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	
Land Improvements	15-20
Buildings	25-50
Engineered structures	10-75
Machinery and equipment	5-20
Vehicles	3-20

Annual amortization is charged in the year of acquisition and not in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES - continued

ii) Contributions of Tangible Capital Assets

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

iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operation leases and the related lease payments are charges to expenses as incurred.

iv) Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

2. CASH AND TEMPORARY INVESTMENTS

	2014	2013
	\$	\$
Cash	8,323,613	7,705,463
Temporary investments	37,946	36,491
	8,361,559	7,741,954

The Municipal District has bank accounts at both the Servus Credit Union, which earns interest at prime less 1.75%, and the RBC, which is a non-interest bearing account.

Temporary investments are shares held with the Servus Credit Union, which can be redeemed at any time by the Municipal District.

Included in cash is a restricted amount of \$537,825 (2013 - nil) received from the Municipal Sustainability Initiative and held exclusively for approved projects (Note 6).

Council has designated cash for the funding of restricted reserves, including operating \$2,129,675 (2013 - \$1,821,492) and capital \$4,981,229 (2013 - \$4,902,981), totaling \$7,110,904 (2013 - \$6,724,473).

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2014

3. RECEIVABLES

	2014	2013
	\$	\$
Property taxes		
Current taxes and grants in place of taxes	132,231	205,749
Arrears	32,825	46,844
	165,056	252,593
Other		
Trade	72,303	104,473
Alberta Municipal Affairs	77,870	-
GST	45,504	78,892
Loan	95,028	100,000
Allowance for doubtful accounts	(1,000)	(1,000)
	289,705	282,365
	454,761	534,958

The loan receivable is from North Peace Housing Foundation, repayable over a 15 year period with interest charged at 4%.

4. INVESTMENTS

	2014	2013
	\$	\$
Guaranteed investment certificate - restricted	23,899	23,747
United Farmers of Alberta Co-operative Ltd.	4,398	4,338
Alberta Municipal Financing Corporation Shares - at cost	40	40
Alberta Association of Municipal Districts and Counties	669	1,247
	29,006	29,372

Guaranteed investment certificate has effective interest rate of 1.6% with maturity of less than 12 months. This investment use is restricted for the public reserve trust as per the Municipal Government Act.

5. EMPLOYEE BENEFITS OBLIGATIONS

	2014	2013
	\$	\$
Vacation and overtime	36,224	47,069

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2014

6. DEFERRED REVENUE

	2014	2013
	\$	\$
Municipal Sustainability Initiative - Capital	537,825	-
Land Rent	17,744	-
	555,569	-

Municipal Sustainability Initiative - Capital

Funding in the amount of \$926,107 was received in the current year from the Municipal Sustainability Initiative Capital grant. Of the \$926,107 received, \$537,825 was unspent on eligible capital projects, as approved under the funding agreement, which are scheduled for completion in 2015.

Unexpended funds related to the advance are supported by cash of \$537,825 held exclusively for eligible capital projects (Note 2).

7. DEBT LIMIT

Section 276(2) of the Municipal Government Act requires that total debt limit as defined by Alberta Regulation 255/00 for the Municipal District of Fairview No. 136 be disclosed as follow:

	2014	2013
	\$	\$
Total Debt Limit	9,711,771	10,101,246
Total Debt	-	-
Debt Limit Available	9,711,771	10,101,246
Debt Service Limit	1,618,629	1,683,541
Debt Service	-	-
Debt Service Limit Available	1,618,629	1,683,541

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.

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2014

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	2014	2013
	\$	\$
Tangible capital assets (Schedule 2)	49,204,837	48,203,629
Accumulated amortization (Schedule 2)	(31,430,709)	(31,026,301)
	17,774,128	17,177,328

9. ACCUMULATED SURPLUS

	2014	2013
	\$	\$
Unrestricted surplus, as originally stated	1,137,072	1,669,626
Prior period adjustment (Note 14)	-	(101,737)
Unrestricted surplus, as restated	1,137,072	1,567,889
Restricted surplus		
Operating reserves		
Cemetery	58,752	23,752
Gravel	653,195	331,695
Land development	-	9,827
Rate stabilization fund	1,417,728	1,456,218
Capital reserves		
Agriculture Service Board	134,023	133,523
Airport	269,500	200,000
Bridges	437,198	367,198
Emergency management	-	19,000
Fire department	215,989	195,989
Office building	190,000	140,000
Public Land Reserve Fund	35,611	23,747
Public Works	3,330,950	3,488,503
Recreation and Community Services	107,500	55,483
Senior Services	51,100	45,100
Waste Water	49,420	68,400
Water	159,938	166,038
Equity in tangible capital assets	17,774,128	17,177,328
	26,022,104	25,469,690

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2014

10. SALARY AND BENEFITS DISCLOSURE

	2014			2013	
	Salary (1) \$	Benefits & Allowances (2) \$	Expenses \$	Total \$	Total \$
Reeve & Division 5	26,200	1,619	6,631	34,450	40,891
Councillors					
Division 1	32,600	447	14,726	47,773	33,847
Division 2	24,400	4,769	9,255	38,424	34,418
Division 3	22,900	4,606	6,087	33,593	15,024
Division 4	23,200	-	5,738	28,938	25,961
(3) Chief Administrative Officer - 1	-	-	-	-	79,743
Chief Administrative Officer - 2	98,793	20,183	-	118,976	117,489

(1) Salary includes regular base pay, overtime, honoraria and any other direct cash remuneration.

(2) Consists of employer's share of all employee benefits and contributions or payments made on behalf of employees including Canada Pension Plan, employment insurance, Workers' Compensation Board, health care, dental coverage, group life insurance, accidental death and dismemberment insurance, long and short term disability plans, retirement pension professional memberships and tuition.

(3) Includes retiring allowance of \$35,215.31

11. LOCAL AUTHORITIES PENSION PLAN

Employees of the Municipal District 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 200,000 people and over 400 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Municipal District is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the Municipal District are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Municipal District to the LAPP in 2014 were \$149,009 (2013 - \$122,515). Total current service contributions by the employees of the Municipal District to the LAPP in 2014 were \$136,787 (2013 - \$111,538).

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2014

12. CONTINGENCIES

The Municipal District is a member of the Alberta Association of Municipal Districts and Counties - Jubilee Reciprocal Insurance Exchange. Under the terms of the membership, the Municipal District could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The Municipal District has provided a loan guarantee for the Friedenstal Historical Society in the amount of \$350,000.

13. FINANCIAL INSTRUMENTS

The Municipality's financial instruments consist of cash, receivables, investments, accounts payable and accrued liabilities. It is management's opinion that the Municipality is not exposed to significant interest, currency or credit risk arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

14. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was done, which reduced the December 31, 2013 gravel inventory levels by \$101,737. The result of this adjustment was a reduction of the inventory and an offsetting reduction of the unrestricted surplus of \$101,737.

This adjustment was required due to an inventory survey that disclosed a discrepancy in the gravel inventory levels.

15. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.