

Municipal District of Fairview No. 136

Financial Statements

December 31, 2013

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

AUDITORS' REPORT

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, 2013 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.

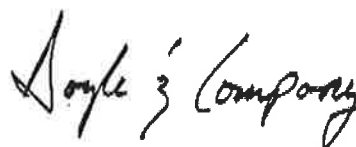
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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, 2013 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta
April 15, 2014



Chartered Accountants

Municipal District of Fairview No. 136
Consolidated Statement of Financial Position
As at December 31, 2013

	2013	2012
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	7,765,701	7,038,412
Receivables		
Taxes and grants in lieu receivable	252,593	242,588
Trade and other receivables (Note 3)	282,365	131,422
Investments (Note 4)	5,625	5,622
	8,306,284	7,418,044
LIABILITIES		
Accounts payable and accrued liabilities	332,170	486,886
Deposit liabilities	1,400	1,400
	333,570	488,286
NET FINANCIAL ASSETS	7,972,714	6,929,758
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	17,177,328	16,435,320
Inventory for consumption	342,829	139,613
Prepaid expenses	78,556	75,691
	17,598,713	16,650,624
ACCUMULATED SURPLUS (Note 8)	25,571,427	23,580,382

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, 2013

	Budget \$ (Unaudited)	2013 \$	2012 \$
REVENUE			
Net municipal taxes (Schedule 3)	5,381,528	5,372,788	4,911,525
User fees and sales of goods	631,375	503,403	554,233
Government transfers (Schedule 4)	781,374	759,715	862,622
Investment income	94,200	98,258	93,009
Oil well drilling taxes	5,000	-	7,988
Total Revenues	6,893,477	6,734,164	6,429,377
EXPENSES			
Administration	775,007	790,139	688,910
Agriculture service board	465,913	431,140	940,556
Airport	139,050	224,953	187,404
Animal control	8,900	3,390	3,058
Cemeteries	99,700	18,438	16,404
Culture and library	91,500	75,805	78,355
Family community support services	25,000	23,110	23,110
Fire	84,700	94,896	103,255
Gravel	812,450	387,130	424,535
Land use planning and development	344,700	108,232	147,549
Legislative	173,350	155,221	148,086
Parks and recreation	350,915	401,588	251,722
Public health and safety	65,400	41,890	76,275
Public works	1,873,600	2,491,863	2,251,811
Utilities	132,350	131,998	127,416
Waste management	100,800	98,967	81,972
Wastewater treatment and disposal	46,250	53,413	51,219
Water supply and distribution	115,100	221,185	222,921
Total Expenses	5,704,685	5,753,358	5,824,558
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	1,188,792	980,806	604,819
OTHER			
Government transfers for capital (Schedule 4)	1,696,143	1,010,239	1,501,416
EXCESS OF REVENUE OVER EXPENSES	2,884,935	1,991,045	2,106,235
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	23,580,382	21,474,147
ACCUMULATED SURPLUS, END OF YEAR	-	25,571,427	23,580,382

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, 2013

	2013	2012
	\$	\$
EXCESS OF REVENUES OVER EXPENSES	1,991,045	2,106,235
Acquisition of tangible capital assets	(1,881,051)	(3,353,284)
Proceeds on disposal of tangible capital assets	220,500	212,939
Amortization of tangible capital assets	914,446	903,229
Loss (gain) on disposal of tangible capital assets	4,097	14,580
	(742,008)	(2,222,536)
Acquisition of prepaid assets	(78,556)	(75,691)
Use of supplies inventories	(203,216)	89,713
Use of prepaid assets	75,691	74,810
	(206,081)	88,832
INCREASE (DECREASE) IN NET ASSETS	1,042,956	(27,469)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	6,929,758	6,957,227
NET FINANCIAL ASSETS, END OF YEAR	7,972,714	6,929,758

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, 2013

	2013	2012
	\$	\$
OPERATING		
Excess of revenue over expenditures	1,991,045	2,106,235
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	914,446	903,229
Loss on disposal of tangible capital assets	4,097	14,580
Non-cash charges to operations (net change):		
Increase in taxes and grants in lieu receivable	(10,005)	(34,849)
Decrease (increase) in trade and other receivables	(150,943)	238,393
Increase in prepaid expenditures	(2,865)	(881)
Decrease (increase) in inventory for consumption	(203,216)	89,712
Decrease in accounts payable and accrued liabilities	(154,716)	(105,896)
Cash from operations	2,387,843	3,210,523
CAPITAL		
Acquisition of tangible capital assets	(1,881,051)	(3,353,284)
Proceeds on disposal of tangible capital assets	220,500	212,939
Cash applied to capital transactions	(1,660,551)	(3,140,345)
INVESTING		
Increase in investments	(3)	(36)
CHANGE IN CASH DURING THE YEAR	727,289	70,142
CASH, BEGINNING OF YEAR	7,038,412	6,968,270
CASH, END OF YEAR	7,765,701	7,038,412

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, 2013

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2013 \$	2012 \$
Balance, Beginning of Year	1,958,464	5,186,598	16,435,320	23,580,382	21,474,147
Excess of revenue over expenses	1,991,045	-	-	1,991,045	2,106,235
Unrestricted funds designated for future use	(2,272,887)	2,272,887	-	-	-
Restricted funds used for tangible capital assets	-	(735,012)	735,012	-	-
Current years funds used for tangible capital assets	(1,146,039)	-	1,146,039	-	-
Disposal of tangible capital assets	224,597	-	(224,597)	-	-
Annual amortization expenses	914,446	-	(914,446)	-	-
Change in accumulated surplus	(288,838)	1,537,875	742,008	1,991,045	2,106,235
Balance, End of Year	1,669,626	6,724,473	17,177,328	25,571,427	23,580,382

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, 2013

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2013	2012
							\$	\$
COST:								
Balance, Beginning of Year	281,181	1,944,446	2,236,779	35,838,204	6,027,774	406,902	46,735,286	43,826,899
Acquisition of tangible capital assets	5,163	28,248	17,632	535,835	391,328	-	978,206	3,212,720
Construction-in-progress	-	-	-	902,845	-	-	902,845	140,564
Disposal of tangible capital assets	-	-	-	(17,826)	(394,882)	-	(412,708)	(444,897)
Balance, End of Year	286,344	1,972,694	2,254,411	37,259,058	6,024,220	406,902	48,203,629	46,735,286
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	1,103,075	457,175	25,688,579	2,838,046	213,091	30,299,966	29,614,115
Annual amortization	-	61,639	50,379	323,341	444,099	34,988	914,446	903,229
Accumulated amortization on disposals	-	-	-	(17,826)	(170,285)	-	(188,111)	(217,378)
Balance, End of Year	-	1,164,714	507,554	25,994,094	3,111,860	248,079	31,026,301	30,299,966
NET BOOK VALUE	286,344	807,980	1,746,857	11,264,964	2,912,360	158,823	17,177,328	16,435,320
2012 NET BOOK VALUE	281,181	841,371	1,779,604	10,149,625	3,189,728	193,811	16,435,320	

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, 2013

	Budget \$	2013 \$	2012 \$
TAXATION			
Real property taxes	3,532,362	3,519,589	3,271,306
Linear property taxes	2,807,823	2,807,808	2,536,210
Government grants in place of property taxes	3,263	1,824	2,884
Penalties and costs	26,000	31,487	26,586
	6,369,448	6,360,708	5,836,986
REQUISITIONS			
Provincial School Foundation Fund	902,488	902,488	840,703
Senior Foundation	85,432	85,432	84,758
	987,920	987,920	925,461
NET MUNICIPAL TAXES	5,381,528	5,372,788	4,911,525

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, 2013

	Budget \$	2013 \$	2012 \$
<u>OPERATING</u>			
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	656,874	589,873	592,180
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements and grants	124,500	169,842	270,442
	781,374	759,715	862,622
<u>CAPITAL</u>			
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	1,696,143	1,010,239	1,501,416
	1,696,143	1,010,239	1,501,416

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, 2013

	Budget	2013	2012
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	1,825,347	1,841,909	1,676,733
Contracted and general services	2,144,200	1,452,300	1,354,202
Materials, goods and utilities	1,169,852	1,043,293	1,011,196
Provision for allowances	2,000	-	762
Transfers to local boards and agencies	257,600	257,745	60,105
Transfers to individuals and organizations	302,186	232,412	800,251
Bank charges and short-term interest	3,500	7,153	3,500
Amortization of tangible capital assets	-	914,448	903,229
Loss (gain) on disposal of tangible capital assets	-	4,098	14,580
	5,704,685	5,753,358	5,824,558

The accompanying notes form part of these financial statements

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2013

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, 2013

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Investments

Investments are recorded at cost.

(e) Inventories

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

(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, the 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. 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, 2013

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

	2013	2012
	\$	\$
Cash	250	250
Bank account - general	7,741,704	7,021,729
Bank account - restricted	23,747	16,433
	7,765,701	7,038,412

The Municipal District has bank accounts at both the Servus Credit Union, which earns interest at prime less 1.5%, and the RBC, which is a non-interest bearing account.

3. TRADE AND OTHER RECEIVABLES

	2013	2012
	\$	\$
Trade and other receivables	283,365	125,186
Grants receivable	-	7,236
	283,365	132,422
Less: Allowance for uncollectable trade and other receivables	(1,000)	(1,000)
	282,365	131,422

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2013

4. INVESTMENTS

	2013	2012
	\$	\$
United Farmers of Alberta Co-operative Ltd.	4,338	4,267
Alberta Municipal Financing Corporation Shares - at cost	40	40
Alberta Association of Municipal Districts and Counties	1,247	1,315
	5,625	5,622

5. EMPLOYEE BENEFITS OBLIGATIONS

	2013	2012
	\$	\$
Vacation and overtime	47,069	49,768

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 (and are vested) or are entitled to these benefits within the next budgetary year.

6. 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:

	2013	2012
	\$	\$
Total Debt Limit	10,101,246	9,644,066
Total Debt	-	-
Debt Limit Available	10,101,246	9,644,066
Debt Service Limit	1,683,541	1,607,344
Debt Service	-	-
Debt Service Limit Available	1,683,541	1,607,344

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, 2013

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	2013	2012
	\$	\$
Tangible capital assets (Schedule 2)	48,203,629	46,735,286
Accumulated amortization (Schedule 2)	(31,026,301)	(30,299,966)
	17,177,328	16,435,320

8. ACCUMULATED SURPLUS

	2013	2012
	\$	\$
Unrestricted surplus	1,669,626	1,958,464
Restricted surplus		
Operating reserves		
Cemetery	23,752	35,000
Gravel	331,695	630,657
Land development	9,827	200,000
Rate stabilization fund	1,456,218	671,218
Rural water co-op	20,000	-
Capital reserves		
Agriculture Service Board	133,523	126,251
Airport - terminal	200,000	125,000
Bridges	367,198	285,000
Emergency management	19,000	-
Firetruck and firehall	195,989	213,621
Office building	140,000	90,000
Public Land Reserve	23,747	16,433
Public Works	3,488,503	2,333,725
Recreation and Community Services	35,483	184,193
Senior Services	45,100	57,100
Visitors centre	-	50,000
Waste Water	68,400	18,400
Water	166,038	150,000
Equity in tangible capital assets	17,177,328	16,435,320
	25,571,427	23,580,382

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2013

9. SALARY AND BENEFITS DISCLOSURE

	2013			2012	
	Salary (1) \$	Benefits & Allowances (2) \$	Expenses \$	Total \$	Total \$
Reeve	27,800	4,035	9,056	40,891	34,658
Councillors					
Division 1	25,200	444	8,203	33,847	36,627
Division 2	24,200	1,522	8,696	34,418	31,287
Division 3	12,000	-	3,024	15,024	22,094
Division 4	21,000	-	4,961	25,961	23,663
(3) Chief Administrative Officer - 1	74,679	5,064	-	79,743	100,004
Chief Administrative Officer - 2	100,207	17,282	-	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

10. 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 153,000 people and 404 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 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.47% on pensionable earnings above this amount. Employees of the Municipal District are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

Total current service contributions by the Municipal District to the LAPP in 2013 were \$122,515 (2012 - \$111,974). Total current service contributions by the employees of the Municipal District to the LAPP in 2013 were \$111,538 (2012 - \$101,388).

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2013

11. 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.

12. CONTINGENT LIABILITIES

The Municipality has been sued for \$400,000, for alleged failure to complete land environmental remediation.

It is management's opinion that any liability from this claim cannot be determined at this stage of the action.

13. FINANCIAL INSTRUMENTS

The Municipality's financial instruments consist of cash and temporary investments, receivables, 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. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.