

Municipal District of Fairview No. 136

Financial Statements

December 31, 2012

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.

Sarah F., Acting CAO.

Ben Boettcher
Chief Administrative Officer

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

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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, 2012 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.

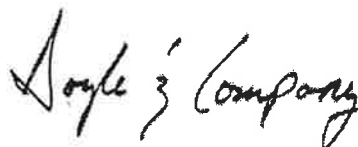
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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, 2012 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta
March 26, 2013



Chartered Accountants

Municipal District of Fairview No. 136
Consolidated Statement of Financial Position
As at December 31, 2012

	2012	2011
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 3)	7,038,412	6,968,270
Receivables		
Taxes and grants in lieu receivable	242,588	207,739
Trade and other receivables (Note 4)	131,422	369,815
Investments (Note 5)	5,622	5,586
	7,418,044	7,551,410
LIABILITIES		
Accounts payable and accrued liabilities	486,886	592,782
Deposit liabilities	1,400	1,400
	488,286	594,182
NET FINANCIAL ASSETS	6,929,758	6,957,228
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	16,435,320	14,212,784
Inventory for consumption	139,613	229,325
Prepaid expenses	75,691	74,810
	16,650,624	14,516,919
ACCUMULATED SURPLUS (Note 9)	23,580,382	21,474,147

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, 2012

	Budget \$ (Unaudited)	2012 \$	2011 \$
REVENUE			
Net municipal taxes (Schedule 3)	4,916,297	4,911,525	4,731,882
User fees and sales of goods	371,655	554,233	480,461
Government transfers (Schedule 4)	731,821	862,622	740,537
Investment income	85,700	93,009	93,435
Oil well drilling taxes	15,000	7,988	13,784
Total Revenues	6,120,473	6,429,377	6,060,099
EXPENSES			
Administration	727,346	688,910	737,395
Agriculture service board	917,093	940,556	380,483
Airport	128,500	187,404	198,147
Animal control	3,400	3,058	2,817
Cemetaries	51,250	16,404	14,733
Culture and library	78,300	78,355	70,210
Economic development	25,000	14,800	-
Family community support services	25,000	23,110	26,260
Fire	1,253,600	103,255	512,811
Gravel	543,800	424,535	501,889
Land use planning and development	302,500	132,749	102,006
Legislative	168,250	148,086	157,832
Parks and recreation	305,000	251,722	230,287
Public health and safety	84,650	76,275	28,029
Public works	1,698,700	2,251,811	2,225,922
Utilities	127,100	127,416	125,766
Waste management	80,750	81,972	81,299
Wastewater treatment and disposal	45,250	51,219	54,096
Water supply and distribution	147,700	222,921	156,598
Total Expenses	6,713,189	5,824,558	5,606,580
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	(592,716)	604,819	453,519
OTHER			
Government transfers for capital (Schedule 4)	1,461,216	1,501,416	1,053,204
EXCESS OF REVENUE OVER EXPENSES	868,500	2,106,235	1,506,723
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	21,474,147	19,967,424
ACCUMULATED SURPLUS, END OF YEAR	-	23,580,382	21,474,147

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, 2012

	2012	2011
	\$	\$
EXCESS OF REVENUES OVER EXPENSES	2,106,235	1,506,723
Acquisition of tangible capital assets	(3,353,284)	(2,269,247)
Proceeds on disposal of tangible capital assets	212,939	672,746
Amortization of tangible capital assets	903,229	819,999
Loss (gain) on disposal of tangible capital assets	14,580	(28,259)
	(2,222,536)	(804,761)
Acquisition of prepaid assets	(75,691)	(74,810)
Use of supplies inventories	89,713	65,499
Use of prepaid assets	74,810	53,875
	88,832	44,564
INCREASE (DECREASE) IN NET ASSETS	(27,469)	746,526
NET FINANCIAL ASSETS, BEGINNING OF YEAR	6,957,227	6,210,701
NET FINANCIAL ASSETS, END OF YEAR	6,929,758	6,957,227

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, 2012

	2012	2011
	\$	\$
OPERATING		
Excess of revenue over expenditures	2,106,235	1,506,723
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	903,229	819,999
Loss (gain) on disposal of tangible capital assets	14,580	(28,259)
Non-cash charges to operations (net change):		
Increase in taxes and grants in lieu receivable	(34,849)	(12,234)
Decrease (increase) in trade and other receivables	238,393	(243,255)
Increase in prepaid expenditures	(881)	(20,934)
Decrease in inventory for consumption	89,712	65,499
Increase (decrease) in accounts payable and accrued liabilities	(105,896)	361,736
Cash from operations	3,210,523	2,449,275
CAPITAL		
Acquisition of tangible capital assets	(3,353,284)	(2,269,247)
Proceeds on disposal of tangible capital assets	212,939	672,746
Cash applied to capital transactions	(3,140,345)	(1,596,501)
INVESTING		
Decrease (increase) in investments	(36)	243
CHANGE IN CASH DURING THE YEAR	70,142	853,017
CASH, BEGINNING OF YEAR	6,968,270	6,115,253
CASH, END OF YEAR	7,038,412	6,968,270

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, 2012

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2012 \$	2011 \$
Balance, Beginning of Year	1,958,174	5,303,189	14,212,784	21,474,147	19,967,424
Excess (deficiency) of revenue over expenses	2,106,235	-	-	2,106,235	1,506,723
Unrestricted funds designated for future use	(2,115,687)	2,115,687	-	-	-
Restricted funds used for operations	164,984	(164,984)	-	-	-
Restricted funds used for tangible capital assets	-	(2,067,294)	2,067,294	-	-
Current years funds used for tangible capital assets	(1,285,990)	-	1,285,990	-	-
Disposal of tangible capital assets	227,519	-	(227,519)	-	-
Annual amortization expenses	903,229	-	(903,229)	-	-
Change in accumulated surplus	290	(116,591)	2,222,536	2,106,235	1,506,723
Balance, End of Year	1,958,464	5,186,598	16,435,320	23,580,382	21,474,147

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, 2012

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2012	2011
							\$	\$
COST:								
Balance, Beginning of Year	213,681	1,873,964	827,934	34,589,741	5,922,724	398,855	43,826,899	42,566,039
Acquisition of tangible capital assets	67,500	74,287	1,408,845	1,140,817	486,934	34,337	3,212,720	2,269,247
Construction-in-progress	-	-	-	140,564	-	-	140,564	-
Disposal of tangible capital assets	-	(3,805)	-	(32,918)	(381,884)	(26,290)	(444,897)	(1,008,387)
Balance, End of Year	281,181	1,944,446	2,236,779	35,838,204	6,027,774	406,902	46,735,286	43,826,899
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	1,043,054	407,148	25,407,388	2,552,132	204,393	29,614,115	29,158,016
Annual amortization	-	60,934	50,027	313,678	443,602	34,988	903,229	819,999
Accumulated amortization on disposals	-	(913)	-	(32,487)	(157,688)	(26,290)	(217,378)	(363,900)
Balance, End of Year	-	1,103,075	457,175	25,688,579	2,838,046	213,091	30,299,966	29,614,115
NET BOOK VALUE	281,181	841,371	1,779,604	10,149,625	3,189,728	193,811	16,435,320	14,212,784

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, 2012

	Budget	2012	2011
	\$	\$	\$
TAXATION			
Real property taxes	3,280,704	3,271,306	3,170,757
Linear property taxes	2,536,210	2,536,210	2,451,895
Government grants in place of property taxes	2,884	2,884	2,710
Penalties and costs	22,000	26,586	23,998
	5,841,798	5,836,986	5,649,360
REQUISITIONS			
Provincial School Foundation Fund	840,743	840,703	828,927
Senior Foundation	84,758	84,758	88,551
	925,501	925,461	917,478
NET MUNICIPAL TAXES	4,916,297	4,911,525	4,731,882

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, 2012

	Budget \$	2012 \$	2011 \$
<u>OPERATING</u>			
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	659,321	592,180	659,531
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements and grants	72,500	270,442	81,006
	731,821	862,622	740,537
<u>CAPITAL</u>			
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	1,461,216	1,501,416	1,053,204
	1,461,216	1,501,416	1,053,204

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, 2012

	Budget	2012	2011
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	1,740,343	1,676,733	1,748,171
Contracted and general services	2,945,946	1,354,202	1,850,683
Materials, goods and utilities	1,116,050	1,011,196	862,646
Provision for allowances	2,000	762	-
Transfers to local boards and agencies	60,300	60,105	54,495
Transfers to individuals and organizations	848,250	800,251	298,643
Bank charges and short-term interest	300	3,500	202
Amortization of tangible capital assets	-	903,229	819,999
Loss (gain) on disposal of tangible capital assets	-	14,580	(28,259)
	6,713,189	5,824,558	5,606,580

The accompanying notes form part of these financial statements

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2012

1. 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.

2. 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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and 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, 2012

2. 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, 2012

2. 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.

3. CASH AND TEMPORARY INVESTMENTS

	2012	2011
	\$	\$
Cash	250	250
Bank account - general	7,021,729	6,951,709
Bank account - restricted	16,433	16,311
	7,038,412	6,968,270

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.

4. TRADE AND OTHER RECEIVABLES

	2012	2011
	\$	\$
Trade and other receivables	125,186	150,367
Grants receivable	7,236	220,448
	132,422	370,815
Less: Allowance for uncollectable trade and other receivables	(1,000)	(1,000)
	131,422	369,815

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2012

5. INVESTMENTS

	2012	2011
	\$	\$
United Farmers of Alberta Co-operative Ltd.	4,267	4,231
Alberta Municipal Financing Corporation Shares - at cost	40	40
Alberta Association of Municipal Districts and Counties	1,315	1,315
	5,622	5,586

6. EMPLOYEE BENEFITS OBLIGATIONS

	2012	2011
	\$	\$
Vacation and overtime	49,768	45,133

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.

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:

	2012	2011
	\$	\$
Total Debt Limit	9,644,066	8,857,940
Total Debt	-	-
Debt Limit Available	9,644,066	8,857,940
Debt Service Limit	1,607,344	1,476,323
Debt Service	-	-
Debt Service Limit Available	1,607,344	1,476,323

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, 2012

8. EQUITY IN CAPITAL ASSETS

	2012	2011
	\$	\$
Capital assets (Schedule 2)	46,735,286	43,826,899
Accumulated amortization (Schedule 2)	(30,299,966)	(29,614,115)
	16,435,320	14,212,784

9. ACCUMULATED SURPLUS

	2012	2011
	\$	\$
Unrestricted surplus	1,958,464	1,958,174
Restricted surplus		
Operating reserves		
Cemetery	35,000	-
Gravel	630,657	545,641
Land development	200,000	200,000
Rate stabilization fund	671,218	631,218
Capital reserves		
Agriculture Service Board	126,251	588,041
Airport - terminal	125,000	50,000
Bridges	285,000	-
Firetruck and firehall	213,621	1,193,621
Office building	90,000	-
Public Land Reserve	16,433	16,311
Public Works	2,333,725	1,755,024
Recreation and Community Services	184,193	233,833
Senior Services	57,100	51,100
Visitors centre	50,000	-
Waste Water	18,400	18,400
Water	150,000	20,000
Equity in tangible capital assets	16,435,320	14,212,784
	23,580,382	21,474,147

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2012

10. SALARY AND BENEFITS DISCLOSURE

	2012			2011	
	Salary (1)	Benefits & Allowances (2)	Expenses	Total	
	\$	\$	\$	\$	
Reeve	24,100	4,095	6,463	34,658	38,163
Councillors					
Division 1	27,800	390	8,437	36,627	40,601
Division 2	22,000	1,466	7,821	31,287	35,810
Division 3	18,400	-	3,694	22,094	21,888
Division 4	18,600	-	5,063	23,663	20,752
Chief Administrative Officer	85,490	14,514	-	100,004	96,371

(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.

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

Total current service contributions by the Municipal District to the LAPP in 2012 were \$111,974 (2011 - \$111,244). Total current service contributions by the employees of the Municipal District to the LAPP in 2012 were \$101,388 (2011 - \$100,263).

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2012

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 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.