

Municipal District of Fairview No. 136

Financial Statements

December 31, 2017

Municipal District of Fairview No. 136

CONTENTS

| | <u>Page</u> |
|--|-------------|
| MANAGEMENT'S REPORT | 1 |
| INDEPENDENT AUDITORS' REPORT | 2 |
| FINANCIAL STATEMENTS | |
| Consolidated Statement of Financial Position | 3 |
| Consolidated Statement of Operations | 4 |
| Consolidated Statement of Change in Net Financial Assets | 5 |
| Consolidated Statement of Cash Flows | 6 |
| Schedule of Changes in Accumulated Surplus - Schedule 1 | 7 |
| Schedule of Tangible Capital Assets - Schedule 2 | 8 |
| Schedule of Property and Other Taxes - Schedule 3 | 9 |
| Schedule of Government Transfers - Schedule 4 | 10 |
| Schedule of Consolidated Expenses by Object - Schedule 5 | 11 |
| Schedule of Segmented Disclosure - Schedule 6 | 12 - 14 |
| Notes to the Financial Statements | 15 - 22 |

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, CPA, CA*
Scott T. Mockford, CPA, CA*
Allen Lee, CPA, CMA*
Jason Bondarevich, CPA, CA*

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INDEPENDENT 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, 2017 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

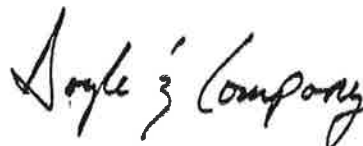
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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, 2017 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Edmonton, Alberta
April 24, 2018

Chartered Professional Accountants

Municipal District of Fairview No. 136
Consolidated Statement of Financial Position
As at December 31, 2017

| | 2017 | 2016 |
|---|-------------------|-------------------|
| | \$ | \$ |
| FINANCIAL ASSETS | | |
| Cash and temporary investments (Note 2) | 9,925,083 | 9,272,856 |
| Receivables (Note 3) | | |
| Taxes and grants in lieu receivable | 216,429 | 206,591 |
| Trade and other receivables | 458,730 | 609,288 |
| Other local governments | | |
| Federal | 47,765 | - |
| Provincial | 90,491 | - |
| Local | 131,106 | - |
| Investments (Note 4) | 41,360 | 41,093 |
| | 10,910,964 | 10,129,828 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 579,297 | 344,200 |
| Deferred revenue (Note 6) | 1,689,451 | 1,084,777 |
| Deposit liabilities | 400 | 400 |
| | 2,269,148 | 1,429,377 |
| NET FINANCIAL ASSETS | 8,641,816 | 8,700,451 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Schedule 2) | 18,349,195 | 18,582,845 |
| Inventory for consumption | 434,598 | 317,732 |
| Prepaid expenses | 65,021 | 95,215 |
| | 18,848,814 | 18,995,792 |
| ACCUMULATED SURPLUS (Schedule 1, Note 9) | 27,490,630 | 27,696,243 |

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, 2017

| | 2017 Budget \$ | 2017 Actual \$ | 2016 Actual \$ |
|---|----------------------|----------------------|----------------------|
| REVENUE | | | |
| Net municipal taxes (Schedule 3) | 5,100,016 | 5,092,767 | 5,155,703 |
| User fees and sales of goods | 532,626 | 536,247 | 885,224 |
| Government transfers (Schedule 4) | 1,042,565 | 437,934 | 412,369 |
| Investment income | 92,000 | 112,421 | 87,343 |
| Total Revenues | 6,767,207 | 6,179,369 | 6,540,639 |
| EXPENSES | | | |
| Administration | 916,759 | 910,528 | 949,697 |
| Agriculture service board | 502,143 | 553,456 | 503,627 |
| Airport | 143,437 | 222,477 | 225,705 |
| Animal control | 11,400 | 5,727 | 5,894 |
| Cemeteries | 36,396 | 24,454 | 28,029 |
| Culture and library | 79,200 | 99,657 | 77,478 |
| Family community support services | 45,000 | 27,157 | 40,812 |
| Fire | 174,500 | 191,484 | 555,280 |
| Gravel | 580,300 | 696,242 | 637,407 |
| Grading | 704,560 | 647,780 | 666,296 |
| Land use planning and development | 484,673 | 292,644 | 122,719 |
| Legislative | 182,000 | 189,248 | 176,624 |
| Parks and recreation | 461,076 | 333,939 | 257,596 |
| Public health and safety | 44,948 | 44,147 | 40,146 |
| Public works | 1,488,929 | 2,043,218 | 1,972,584 |
| Utilities | 37,180 | 36,226 | 40,343 |
| Waste management | 118,470 | 117,923 | 117,602 |
| Wastewater treatment and disposal | 57,588 | 61,234 | 74,546 |
| Water supply and distribution | 220,723 | 249,032 | 256,667 |
| Total Expenses | 6,289,282 | 6,746,573 | 6,749,052 |
| EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER | 477,925 | (567,204) | (208,413) |
| OTHER | | | |
| Government transfers for capital (Schedule 4) | 966,488 | 361,591 | 441,306 |
| EXCESS OF REVENUE OVER EXPENSES | 1,444,413 | (205,613) | 232,893 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | - | 27,696,243 | 27,463,350 |
| ACCUMULATED SURPLUS, END OF YEAR | - | 27,490,630 | 27,696,243 |

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, 2017

| | 2017 | 2016 |
|--|------------------|------------------|
| | \$ | \$ |
| EXCESS OF REVENUES OVER EXPENSES | (205,613) | 232,893 |
| Acquisition of tangible capital assets | (1,034,816) | (1,170,167) |
| Proceeds on disposal of tangible capital assets | 232,325 | 230,875 |
| Amortization of tangible capital assets | 1,078,682 | 1,062,518 |
| Loss (gain) on disposal of tangible capital assets | (42,541) | 100,881 |
| | 233,650 | 224,107 |
| Acquisition of supplies inventories | (434,598) | (317,732) |
| Acquisition of prepaid assets | (65,021) | (95,215) |
| Use of supplies inventories | 317,732 | 148,428 |
| Use of prepaid assets | 95,215 | 85,732 |
| | (86,672) | (178,787) |
| INCREASE (DECREASE) IN NET ASSETS | (58,635) | 278,213 |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | 8,700,451 | 8,422,238 |
| NET FINANCIAL ASSETS, END OF YEAR | 8,641,816 | 8,700,451 |

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, 2017

| | 2017 | 2016 |
|---|------------------|------------------|
| | \$ | \$ |
| OPERATING | | |
| Excess of revenue over expenditures | (205,613) | 232,893 |
| Non-cash items included in excess of revenue over expenses: | | |
| Amortization of tangible capital assets | 1,078,682 | 1,062,518 |
| Loss (gain) on disposal of tangible capital assets | (42,541) | 100,881 |
| Non-cash charges to operations (net change): | | |
| Decrease (increase) in taxes and grants in lieu receivable | (9,838) | 12,262 |
| Decrease (increase) in trade and other receivables | (118,804) | (355,655) |
| Decrease (increase) in prepaid expenditures | 30,194 | (9,483) |
| Increase in inventory for consumption | (116,866) | (169,304) |
| Increase (decrease) in accounts payable and accrued liabilities | 235,097 | 96,536 |
| Increase (decrease) in deferred revenue | 604,674 | 537,509 |
| Cash from operations | 1,454,985 | 1,508,157 |
| CAPITAL | | |
| Acquisition of tangible capital assets | (1,034,816) | (1,170,167) |
| Proceeds on disposal of tangible capital assets | 232,325 | 230,875 |
| Cash applied to capital transactions | (802,491) | (939,292) |
| INVESTING | | |
| Increase in investments | (267) | (510) |
| CHANGE IN CASH DURING THE YEAR | 652,227 | 568,355 |
| CASH, BEGINNING OF YEAR | 9,272,856 | 8,704,501 |
| CASH, END OF YEAR | 9,925,083 | 9,272,856 |

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, 2017

| | Unrestricted Surplus \$ | Restricted Surplus \$ | Equity in Tangible Capital Assets \$ | 2017 Total \$ | 2016 Total \$ |
|--|-------------------------------|-----------------------------|--|---------------------|---------------------|
| Balance, Beginning of Year | 1,164,961 | 7,948,437 | 18,582,845 | 27,696,243 | 27,463,350 |
| Excess of revenue over expenses | (205,613) | - | - | (205,613) | 232,893 |
| Unrestricted funds designated for future use | (898,495) | 898,495 | - | - | - |
| Restricted funds used for operations | 647,524 | (647,524) | - | - | - |
| Restricted funds used for tangible capital assets | - | (361,118) | 361,118 | - | - |
| Current years funds used for tangible capital assets | (673,698) | - | 673,698 | - | - |
| Disposal of tangible capital assets | 189,784 | - | (189,784) | - | - |
| Annual amortization expenses | 1,078,682 | - | (1,078,682) | - | - |
| Change in accumulated surplus | 138,184 | (110,147) | (233,650) | (205,613) | 232,893 |
| Balance, End of Year | 1,303,145 | 7,838,290 | 18,349,195 | 27,490,630 | 27,696,243 |

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, 2017

| | Land | Land Improvements | Buildings | Engineered Structures | Machinery and Equipment | Vehicles | 2017 Total | 2016 Total |
|--|----------------|-------------------|------------------|-----------------------|-------------------------|----------------|-------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| COST: | | | | | | | | |
| Balance, Beginning of Year | 286,344 | 2,085,486 | 2,896,754 | 39,339,328 | 6,396,333 | 481,759 | 51,486,004 | 51,053,048 |
| Acquisition of tangible capital assets | - | 130,643 | - | 101,209 | 552,961 | 144,168 | 928,981 | 1,134,271 |
| Construction-in-progress | - | - | - | 105,835 | - | - | 105,835 | 35,896 |
| Disposal of tangible capital assets | - | - | - | (626) | (505,131) | (26,741) | (532,498) | (737,211) |
| Balance, End of Year | 286,344 | 2,216,129 | 2,896,754 | 39,545,746 | 6,444,163 | 599,186 | 51,988,322 | 51,486,004 |
| ACCUMULATED AMORTIZATION: | | | | | | | | |
| Balance, Beginning of Year | - | 1,359,889 | 684,542 | 26,906,884 | 3,594,666 | 357,178 | 32,903,159 | 32,246,096 |
| Annual amortization | - | 73,641 | 75,493 | 409,478 | 477,147 | 42,923 | 1,078,682 | 1,062,518 |
| Accumulated amortization on disposals | - | - | - | (625) | (315,348) | (26,741) | (342,714) | (405,455) |
| Balance, End of Year | - | 1,433,530 | 760,035 | 27,315,737 | 3,756,465 | 373,360 | 33,639,127 | 32,903,159 |
| NET BOOK VALUE | 286,344 | 782,599 | 2,136,719 | 12,230,009 | 2,687,698 | 225,826 | 18,349,195 | 18,582,845 |
| 2016 NET BOOK VALUE | 286,344 | 725,597 | 2,212,212 | 12,432,444 | 2,801,667 | 124,581 | 18,582,845 | |

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, 2017

| | 2017 Budget \$ | 2017 Actual \$ | 2016 Actual \$ |
|--|----------------------|----------------------|----------------------|
| TAXATION | | | |
| Real property taxes | 3,800,862 | 3,785,198 | 3,620,631 |
| Linear property taxes | 2,335,144 | 2,335,144 | 2,560,829 |
| Government grants in place of property taxes | - | - | - |
| Penalties and costs | 26,000 | 34,414 | 31,331 |
| | 6,162,006 | 6,154,756 | 6,212,791 |
| REQUISITIONS | | | |
| Provincial School Foundation Fund | 927,005 | 927,004 | 930,034 |
| Senior Foundation | 134,985 | 134,985 | 127,054 |
| | 1,061,990 | 1,061,989 | 1,057,088 |
| NET MUNICIPAL TAXES | 5,100,016 | 5,092,767 | 5,155,703 |

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, 2017

| | 2017 Budget \$ | 2017 Actual \$ | 2016 Actual \$ |
|---|----------------------|----------------------|----------------------|
| <u>OPERATING</u> | | | |
| PROVINCIAL TRANSFERS | | | |
| Shared-cost agreements and grants | 841,565 | 247,585 | 252,120 |
| LOCAL GOVERNMENT TRANSFERS | | | |
| Shared-cost agreements and grants | 201,000 | 190,349 | 160,249 |
| | 1,042,565 | 437,934 | 412,369 |
| <u>CAPITAL</u> | | | |
| PROVINCIAL TRANSFERS | | | |
| Capital grants received during the year | 966,488 | 966,365 | 978,915 |
| Capital grant funding deferred from the last year | - | 1,084,477 | 546,868 |
| Less: capital grant funding deferred to the next year | - | (1,689,251) | (1,084,477) |
| Net shared-cost agreements and grants for the year | 966,488 | 361,591 | 441,306 |

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, 2017

| | 2017 Budget \$ | 2017 Actual \$ | 2016 Actual \$ |
|--|----------------------|----------------------|----------------------|
| CONSOLIDATED EXPENSES BY OBJECT | | | |
| Salaries, wages and benefits | 2,467,161 | 2,308,848 | 2,276,572 |
| Contracted and general services | 1,404,291 | 1,092,028 | 1,601,829 |
| Materials, goods and utilities | 1,236,550 | 1,276,099 | 1,130,806 |
| Provision for allowances | 13,000 | 24,420 | 79,062 |
| Transfers to other governments | 172,200 | 161,411 | 69,736 |
| Transfers to local boards and agencies | 323,030 | 299,301 | 197,332 |
| Transfers to individuals and organizations | 655,050 | 451,808 | 212,879 |
| Bank charges and short-term interest | 18,000 | 13,462 | 17,436 |
| Amortization of tangible capital assets | - | 1,078,681 | 1,062,518 |
| Loss (gain) on disposal of tangible capital assets | - | (42,541) | 100,881 |
| Purchases from other governments | - | 83,056 | - |
| | 6,289,282 | 6,746,573 | 6,749,051 |

The accompanying notes form part of these financial statements

Municipal District of Fairview No. 136
Schedule of Segmented Disclosure - Schedule 6
For the year ended December 31, 2017

| | General Government & Administrative Services \$ | Council & Legislative Services \$ | Protective Services \$ | Transportation Services \$ | Airport Services \$ |
|---|--|--|------------------------------|----------------------------------|---------------------------|
| REVENUE | | | | | |
| Net municipal taxes | 5,092,767 | - | - | - | - |
| Government transfer | 350,326 | - | 10,334 | 90,491 | 172,515 |
| User fees and sales of goods | 112,106 | - | 922 | 171,332 | 44,159 |
| Investment income | 112,421 | - | - | - | - |
| Oil well drilling taxes | - | - | - | - | - |
| | 5,667,620 | - | 11,256 | 261,823 | 216,674 |
| EXPENSES | | | | | |
| Salaries, wages and benefits | 525,143 | 150,882 | - | 1,278,497 | 11,844 |
| Contract and general services | 271,456 | 38,367 | 26,481 | 350,777 | 53,899 |
| Materials, goods and utilities | 46,502 | - | 2,427 | 983,820 | 58,949 |
| Provision for allowances | 24,420 | - | - | - | - |
| Transfers to other governments | - | - | 161,411 | - | - |
| Transfers to local boards and agencies | - | - | - | - | - |
| Transfers to individuals and organizations | - | - | 22,711 | - | - |
| Bank charges and short-term interest | 11,664 | - | - | - | 1,798 |
| Loss (gain) on disposal of tangible capital assets | - | - | - | (42,541) | - |
| Purchases from other governments | - | - | - | - | - |
| | 879,185 | 189,249 | 213,030 | 2,570,553 | 126,490 |
| EXCESS OF REVENUE OVER EXPENSES, BEFORE AMORTIZATION | 4,788,435 | (189,249) | (201,774) | (2,308,730) | 90,184 |
| Amortization expense | 31,340 | - | 28,530 | 818,104 | 95,986 |
| EXCESS OF REVENUE OVER EXPENSES | 4,757,095 | (189,249) | (230,304) | (3,126,834) | (5,802) |

The accompanying notes form part of these financial statements

Municipal District of Fairview No. 136
Schedule of Segmented Disclosure - Schedule 6

For the year ended December 31, 2017

| | Utilities & Environmental Services \$ | Seniors & Family Community Support Services \$ | Cemetery Services \$ | Planning & Development Services \$ |
|---|--|---|----------------------------|---|
| REVENUE | | | | |
| Net municipal taxes | - | - | - | - |
| Government transfer | - | - | 7,500 | - |
| User fees and sales of goods | 160,273 | - | 1,400 | 22,629 |
| Investment income | - | - | - | - |
| Oil well drilling taxes | - | - | - | - |
| | 160,273 | - | 8,900 | 22,629 |
| EXPENSES | | | | |
| Salaries, wages and benefits | 92,767 | 125 | 22,639 | 875 |
| Contract and general services | 158,711 | - | 193 | 92,493 |
| Materials, goods and utilities | 75,077 | - | 312 | - |
| Provision for allowances | - | - | - | - |
| Transfers to other governments | - | - | - | - |
| Transfers to local boards and agencies | - | - | - | - |
| Transfers to individuals and organizations | 200 | 27,031 | - | 199,276 |
| Bank charges and short-term interest | - | - | - | - |
| Loss (gain) on disposal of tangible capital assets | - | - | - | - |
| Purchases from other governments | 83,056 | - | - | - |
| | 409,811 | 27,156 | 23,144 | 292,644 |
| EXCESS OF REVENUE OVER EXPENSES, BEFORE AMORTIZATION | (249,538) | (27,156) | (14,244) | (270,015) |
| Amortization expense | 53,388 | - | 1,310 | - |
| EXCESS OF REVENUE OVER EXPENSES | (302,926) | (27,156) | (15,554) | (270,015) |

The accompanying notes form part of these financial statements

Municipal District of Fairview No. 136
Schedule of Segmented Disclosure - Schedule 6
For the year ended December 31, 2017

| | Agricultural Services \$ | Recreation & Cultural Services \$ | 2017 Total \$ | 2016 Total \$ |
|---|--------------------------------|--|---------------------|---------------------|
| REVENUE | | | | |
| Net municipal taxes | - | - | 5,092,767 | 5,155,703 |
| Government transfer | 168,359 | - | 799,525 | 853,675 |
| User fees and sales of goods | 16,376 | 7,050 | 536,247 | 885,224 |
| Investment income | - | - | 112,421 | 87,343 |
| Oil well drilling taxes | - | - | - | - |
| | 184,735 | 7,050 | 6,540,960 | 6,981,945 |
| EXPENSES | | | | |
| Salaries, wages and benefits | 199,029 | 27,047 | 2,308,848 | 2,276,573 |
| Contract and general services | 88,356 | 11,296 | 1,092,029 | 1,601,829 |
| Materials, goods and utilities | 93,192 | 15,819 | 1,276,098 | 1,130,804 |
| Provision for allowances | - | - | 24,420 | 79,062 |
| Transfers to other governments | - | - | 161,411 | 69,736 |
| Transfers to local boards and agencies | - | 299,301 | 299,301 | 197,332 |
| Transfers to individuals and organizations | 135,400 | 67,190 | 451,808 | 212,880 |
| Bank charges and short-term interest | - | - | 13,462 | 17,436 |
| Loss (gain) on disposal of tangible capital assets | - | - | (42,541) | 100,882 |
| Purchases from other governments | - | - | 83,056 | - |
| | 515,977 | 420,653 | 5,667,892 | 5,686,534 |
| EXCESS OF REVENUE OVER EXPENSES, BEFORE AMORTIZATION | (331,242) | (413,603) | 873,068 | 1,295,411 |
| Amortization expense | 37,480 | 12,543 | 1,078,681 | 1,062,518 |
| EXCESS OF REVENUE OVER EXPENSES | (368,722) | (426,146) | (205,613) | 232,893 |

The accompanying notes form part of these financial statements

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2017

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 Chartered Professional Accountants of Canada. 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, 2017

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, 2017

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

| | 2017 | 2016 |
|-----------------------|------------------|------------------|
| | \$ | \$ |
| Cash | 9,882,932 | 9,232,122 |
| Temporary investments | 42,151 | 40,734 |
| | 9,925,083 | 9,272,856 |

The Municipal District has bank accounts at the Servus Credit Union, which earn interest at prime less 1.75%.

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 \$1,689,251 (2016 - \$1,084,477) 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 \$1,928,734 (2016 - \$2,228,734) and capital \$5,909,556 (2016 - \$5,719,651), totaling \$7,838,290 (2016 - \$7,948,436).

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2017

3. RECEIVABLES

| | 2017 | 2016 |
|--|----------------|----------------|
| | \$ | \$ |
| Property taxes | | |
| Current taxes and grants in place of taxes | 149,663 | 175,667 |
| Arrears | 66,766 | 96,719 |
| Allowance for doubtful accounts | - | (65,795) |
| | <u>216,429</u> | <u>206,591</u> |
| Other | | |
| Trade | 458,730 | 609,288 |
| Other local governments | | |
| Federal | 47,765 | - |
| Provincial | 90,491 | - |
| Local | 131,106 | - |
| | <u>728,092</u> | <u>609,288</u> |
| | <u>944,521</u> | <u>815,879</u> |

4. INVESTMENTS

| | 2017 | 2016 |
|--|---------------|---------------|
| | \$ | \$ |
| Guaranteed investment certificate - restricted | 36,852 | 36,607 |
| United Farmers of Alberta Co-operative Ltd. | 4,468 | 4,446 |
| Alberta Municipal Financing Corporation Shares - at cost | 40 | 40 |
| | <u>41,360</u> | <u>41,093</u> |

Guaranteed investment certificate has effective interest rate of 1.35% 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

| | 2017 | 2016 |
|-----------------------|---------------|---------------|
| | \$ | \$ |
| Vacation and overtime | <u>39,641</u> | <u>37,653</u> |

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, 2017

6. DEFERRED REVENUE

| | 2017 \$ | 2016 \$ |
|---|------------------|------------------|
| Municipal Sustainability Initiative - Capital | 1,689,251 | 1,084,477 |
| Land Rent | 200 | 300 |
| | 1,689,451 | 1,084,777 |

Municipal Sustainability Initiative - Capital

Funding in the amount of \$875,874 was received in the current year from the Municipal Sustainability Initiative Capital grant. \$875,874 received in 2017 plus \$813,377 received in previous years (totaling \$1,689,251) remain unspent on eligible capital projects, as approved under the funding agreement, which are scheduled for completion in 2018.

Unexpended funds related to the advance are supported by cash of \$1,689,251 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:

| | 2017 \$ | 2016 \$ |
|------------------------------|------------------|------------------|
| Total Debt Limit | 9,269,054 | 9,810,959 |
| Total Debt | - | - |
| Debt Limit Available | 9,269,054 | 9,810,959 |
| Debt Service Limit | 1,544,842 | 1,635,160 |
| Debt Service | - | - |
| Debt Service Limit Available | 1,544,842 | 1,635,160 |

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, 2017

8. EQUITY IN TANGIBLE CAPITAL ASSETS

| | 2017 | 2016 |
|---------------------------------------|--------------|--------------|
| | \$ | \$ |
| Tangible capital assets (Schedule 2) | 51,988,322 | 51,486,004 |
| Accumulated amortization (Schedule 2) | (33,639,127) | (32,903,159) |
| | 18,349,195 | 18,582,845 |

9. ACCUMULATED SURPLUS

| | 2017 | 2016 |
|-----------------------------------|------------|------------|
| | \$ | \$ |
| Unrestricted surplus | 1,303,145 | 1,164,961 |
| Restricted surplus | | |
| Operating reserves | | |
| Cemetery | 129,252 | 129,252 |
| Gravel | 150,195 | 300,195 |
| Land development | 100,000 | 100,000 |
| Rate stabilization fund | 1,549,287 | 1,699,288 |
| Capital reserves | | |
| Agriculture Service Board | 133,454 | 80,204 |
| Airport | 92,327 | 140,000 |
| Bridges | 637,496 | 547,496 |
| Fire department | 208,404 | 265,989 |
| Joint Use Cultural Facilities | 40,000 | 40,000 |
| Office building | 315,000 | 265,000 |
| Public Land Reserve Fund | 36,852 | 36,607 |
| Public Works | 3,728,786 | 3,707,096 |
| Recreation and Community Services | 261,187 | 238,810 |
| Senior Services | 63,100 | 63,100 |
| Waste Water | 166,183 | 137,408 |
| Water | 226,767 | 197,992 |
| Equity in tangible capital assets | 18,349,195 | 18,582,845 |
| | 27,490,630 | 27,696,243 |

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2017

10. SALARY AND BENEFITS DISCLOSURE

| | 2017 | | | 2016 | |
|------------------------------|------------|----------------|----------|---------|---------|
| | Benefits & | | | Total | Total |
| | Salary (1) | Allowances (2) | Expenses | | |
| \$ | \$ | \$ | \$ | \$ | |
| Reeve & Division 5 | 23,062 | 69 | 5,117 | 28,248 | 36,997 |
| Councillors | | | | | |
| Division 1 | 36,675 | 596 | 11,801 | 49,072 | 51,192 |
| Division 2 | 24,375 | 92 | 5,013 | 29,480 | 26,923 |
| Division 3 | 27,875 | 197 | 7,316 | 35,388 | 26,905 |
| Division 4 | 28,125 | - | 6,009 | 34,134 | 27,702 |
| Division 5 | 5,438 | 15 | 1,237 | 6,690 | - |
| Chief Administrative Officer | 116,497 | 22,375 | - | 138,872 | 132,529 |

(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 250,000 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 2017 were \$177,605 (2016 - \$178,952). Total current service contributions by the employees of the Municipal District to the LAPP in 2017 were \$163,287 (2016 - \$164,488).

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2017

12. CONTINGENCIES

The Municipal District is a member of the Alberta Association of Municipal Districts and Counties - Genesis 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. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.