

Municipal District of Fairview No. 136
Financial Statements
December 31, 2019

Municipal District of Fairview No. 136

CONTENTS

	<u>Page</u>
MANAGEMENT'S REPORT	1
INDEPENDENT AUDITORS' REPORT	2 - 3
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Change in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Schedule of Changes in Accumulated Surplus - Schedule 1	8
Schedule of Tangible Capital Assets - Schedule 2	9
Schedule of Property and Other Taxes - Schedule 3	10
Schedule of Government Transfers - Schedule 4	11
Schedule of Consolidated Expenses by Object - Schedule 5	12
Schedule of Segmented Disclosure - Schedule 6	13 - 15
Notes to the Financial Statements	16 - 23

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Municipal District of Fairview No. 136 is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Municipal District's financial position at December 31, 2019 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The Municipal District Council carries out its responsibilities for review of the consolidated financial statements principally through its Audit Committee. This committee meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Audit Committee with and without the presence of management. The Municipal District Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Doyle & Company Chartered Professional Accountants, independent external auditors appointed by the Municipal District. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipal District's consolidated financial statements.



Sandra Fox
Chief Administrative Officer



Carol Ruether
Director of Finance

Allan J. Grykuliak, CPA, CA*
Scott T. Mockford, CPA, CA*
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INDEPENDENT AUDITORS' REPORT

To the Members of Council

Opinion

We have audited the consolidated financial statements of **Municipal District of Fairview No. 136** (the Entity), which comprise the consolidated statement of financial position as at December 31, 2019, and the results of its operations, changes in its net financial assets and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Municipal District of Fairview No. 136 as at December 31, 2019, the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

INDEPENDENT AUDITORS' REPORT - continued

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

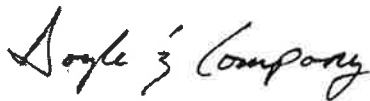
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in Note 7.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 1.

The engagement partner on the audit resulting in this independent auditor's report is Scott Mockford, CPA, CA.



11210 - 107 Avenue NW
Edmonton, Alberta
T5H 0Y1

April 14, 2020

Chartered Professional Accountants

Municipal District of Fairview No. 136
Consolidated Statement of Financial Position
As at December 31, 2019

	2019	2018
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	8,594,167	8,028,449
Receivables (Note 3)		
Taxes and grants in lieu receivable	377,268	264,756
Trade and other receivables	407,740	448,065
Other local governments		
Federal	58,232	122,814
Provincial	7,466	95,405
Local	51,943	42,819
Investments (Note 4)	4,526	4,508
	9,501,342	9,006,816
LIABILITIES		
Accounts payable and accrued liabilities	456,522	549,538
Deferred revenue (Note 6)	1,212,580	1,118,029
Deposit liabilities	400	400
Gravel reclamation liability (Note 7)	85,720	-
	1,755,222	1,667,967
NET FINANCIAL ASSETS	7,746,120	7,338,849
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	20,412,015	20,910,369
Inventory for consumption	387,801	455,006
Prepaid expenses	83,453	71,888
	20,883,269	21,437,263
ACCUMULATED SURPLUS (Schedule 1, Note 10)	28,629,389	28,776,112

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, 2019

	2019 Budget \$	2019 Actual \$	2018 Actual \$
REVENUE			
Net municipal taxes (Schedule 3)	5,261,909	5,285,000	5,220,742
User fees and sales of goods	466,400	429,631	475,350
Government transfers (Schedule 4)	442,360	395,986	354,170
Investment income	173,250	124,386	173,382
Oil well drilling taxes	-	290	-
Total Revenues	6,343,919	6,235,293	6,223,644
EXPENSES			
Administration	1,030,194	973,977	1,037,673
Agriculture service board	506,231	437,676	480,363
Airport	140,619	213,236	223,883
Animal control	8,200	6,372	7,975
Cemeteries	47,495	44,967	30,910
Culture and library	86,645	88,777	93,951
Family community support services	40,200	43,811	28,103
Fire	95,000	117,882	111,165
Gravel	571,282	715,396	596,443
Grading	775,385	760,230	769,863
Land use planning and development	140,900	106,335	125,980
Legislative	219,300	254,154	202,135
Parks and recreation	547,893	493,169	337,766
Public health and safety	48,250	47,221	41,485
Public works	1,756,498	2,384,627	2,156,483
Utilities	35,948	32,379	34,373
Waste management	136,480	134,060	125,228
Wastewater treatment and disposal	49,831	69,166	57,560
Water supply and distribution	226,618	242,185	254,541
Total Expenses	6,462,969	7,165,620	6,715,880
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	(119,050)	(930,327)	(492,236)
OTHER			
Government transfers for capital (Schedule 4)	730,000	783,604	1,777,718
EXCESS OF REVENUE OVER EXPENSES	610,950	(146,723)	1,285,482
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	28,776,112	27,490,630
ACCUMULATED SURPLUS, END OF YEAR	-	28,629,389	28,776,112

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, 2019

	2019	2018
	\$	\$
EXCESS OF REVENUES OVER EXPENSES	(146,723)	1,285,482
Acquisition of tangible capital assets	(969,759)	(3,856,499)
Proceeds on disposal of tangible capital assets	187,894	140,000
Amortization of tangible capital assets	1,201,843	1,140,325
Loss on disposal of tangible capital assets	78,376	15,000
	498,354	(2,561,174)
Acquisition of supplies inventories	(387,801)	(455,006)
Acquisition of prepaid assets	(83,453)	(71,888)
Use of supplies inventories	455,006	434,598
Use of prepaid assets	71,888	65,021
	55,640	(27,275)
CHANGE IN NET ASSETS DURING THE YEAR	407,271	(1,302,967)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	7,338,849	8,641,816
NET FINANCIAL ASSETS, END OF YEAR	7,746,120	7,338,849

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, 2019

	2019	2018
	\$	\$
OPERATING		
Excess of revenue over expenditures	(146,723)	1,285,482
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	1,201,843	1,140,325
Loss (gain) on disposal of tangible capital assets	78,376	15,000
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(112,512)	(48,327)
Decrease (increase) in trade and other receivables	183,722	18,989
Decrease (increase) in prepaid expenditures	(11,565)	(6,867)
Decrease (increase) in inventory for consumption	67,205	(20,408)
Increase (decrease) in accounts payable and accrued liabilities	(7,296)	(29,759)
Increase (decrease) in deferred revenue	94,551	(571,422)
Cash from operations	1,347,601	1,783,013
CAPITAL		
Acquisition of tangible capital assets	(969,759)	(3,856,499)
Proceeds on disposal of tangible capital assets	187,894	140,000
Cash applied to capital transactions	(781,865)	(3,716,499)
INVESTING		
Decrease (increase) in investments	(18)	36,852
CHANGE IN CASH DURING THE YEAR	565,718	(1,896,634)
CASH, BEGINNING OF YEAR	8,028,449	9,925,083
CASH, END OF YEAR	8,594,167	8,028,449

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, 2019

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2019 Total \$	2018 Total \$
Balance, Beginning of Year	1,632,278	6,233,465	20,910,369	28,776,112	27,490,630
Excess of revenue over expenses	(146,723)	-	-	(146,723)	1,285,482
Unrestricted funds designated for future use	(1,133,865)	1,133,865	-	-	-
Restricted funds used for operations	230,639	(230,639)	-	-	-
Restricted funds used for tangible capital assets	-	(96,774)	96,774	-	-
Current years funds used for tangible capital assets	(901,192)	-	901,192	-	-
Disposal of tangible capital assets	294,477	-	(294,477)	-	-
Annual amortization expenses	1,201,843	-	(1,201,843)	-	-
Change in accumulated surplus	(454,821)	806,452	(498,354)	(146,723)	1,285,482
Balance, End of Year	1,177,457	7,039,917	20,412,015	28,629,389	28,776,112

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, 2019

	Land	Land	Buildings	Engineered	Machinery and	Vehicles	2019	2018
	Improvements	Improvements		Structures	Equipment		Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
COST:								
Balance, Beginning of Year	607,670	2,216,129	2,990,303	41,961,539	6,973,960	599,186	55,348,787	51,988,322
Acquisition of tangible capital assets	-	51,737	-	257,358	632,936	45,881	987,912	1,683,955
Construction-in-progress	-	-	-	10,054	-	-	10,054	2,172,544
Disposal of tangible capital assets	-	-	-	(76,479)	(531,700)	(38,148)	(646,327)	(496,034)
Balance, End of Year	607,670	2,267,866	2,990,303	42,152,472	7,075,196	606,919	55,700,426	55,348,787
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	1,507,171	839,269	27,650,135	4,025,561	416,282	34,438,418	33,639,127
Annual amortization	-	75,823	79,234	473,877	536,412	36,497	1,201,843	1,140,325
Accumulated amortization on disposals	-	-	-	(43,445)	(274,072)	(34,333)	(351,850)	(341,034)
Balance, End of Year	-	1,582,994	918,503	28,080,567	4,287,901	418,446	35,288,411	34,438,418
NET BOOK VALUE	607,670	684,872	2,071,800	14,071,905	2,787,295	188,473	20,412,015	20,910,369
2018 NET BOOK VALUE	607,670	708,958	2,151,034	14,311,404	2,948,399	182,904	20,910,369	

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, 2019

	2019 Budget \$	2019 Actual \$	2018 Actual \$
TAXATION			
Real property taxes	3,278,486	3,910,030	3,858,076
Linear property taxes	2,989,727	2,373,028	2,361,053
Penalties and costs	30,000	39,610	30,732
	6,298,213	6,322,668	6,249,861
REQUISITIONS			
Provincial School Foundation Fund	873,685	875,049	873,685
Senior Foundation	149,975	149,975	149,879
Provincial Designated Industrial Property Assessment	12,644	12,644	5,555
	1,036,304	1,037,668	1,029,119
NET MUNICIPAL TAXES	5,261,909	5,285,000	5,220,742

Municipal District of Fairview No. 136
Schedule of Government Transfers - Schedule 4
For the year ended December 31, 2019

	2019 Budget \$	2019 Actual \$	2018 Actual \$
<u>OPERATING</u>			
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	341,360	297,248	246,001
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements and grants	101,000	98,738	108,169
	442,360	395,986	354,170
<u>CAPITAL</u>			
PROVINCIAL TRANSFERS			
Capital grants received during the year	730,000	798,395	1,187,797
Capital grant funding deferred from the last year	-	1,099,330	1,689,251
Interest earned on capital grants	-	52,715	-
Less: capital grant funding deferred to the next year	-	(1,166,836)	(1,099,330)
Net shared-cost agreements and grants for the year	730,000	783,604	1,777,718

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, 2019

	2019 Budget \$	2019 Actual \$	2018 Actual \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	2,684,449	2,638,017	2,317,023
Contracted and general services	1,569,650	1,206,590	1,154,710
Materials, goods and utilities	1,263,650	1,208,786	1,239,483
Provision for allowances	16,500	18,042	159,233
Transfers to other governments	429,675	378,613	307,255
Transfers to local boards and agencies	76,645	77,083	74,335
Transfers to individuals and organizations	324,900	297,204	203,392
Bank charges and short-term interest	7,500	3,782	22,091
Amortization of tangible capital assets	-	1,201,843	1,140,325
Loss (gain) on disposal of tangible capital assets	-	78,376	15,000
Purchases from other governments	90,000	57,284	83,033
	6,462,969	7,165,620	6,715,880

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, 2019

	General Government & Administrative Services \$	Council & Legislative Services \$	Protective Services \$	Transportation Services \$	Airport Services \$
REVENUE					
Net municipal taxes	5,285,000	-	-	-	-
Government transfer	761,729	-	2,500	95,830	76,974
User fees and sales of goods	36,020	-	500	108,347	50,972
Investment income	124,386	-	-	-	-
Oil well drilling taxes	290	-	-	-	-
	6,207,425	-	3,000	204,177	127,946
EXPENSES					
Salaries, wages and benefits	546,776	202,473	-	1,492,714	13,731
Contract and general services	323,424	51,681	12,452	421,163	38,973
Materials, goods and utilities	49,095	-	5,140	930,591	65,266
Provision for allowances	18,042	-	-	-	-
Transfers to other governments	-	-	89,795	-	-
Transfers to local boards and agencies	-	-	-	-	-
Transfers to individuals and organizations	-	-	35,558	-	-
Bank charges and short-term interest	1,660	-	-	-	2,122
Loss (gain) on disposal of tangible capital assets	-	-	-	78,376	-
Purchases from other governments	-	-	-	-	-
	938,997	254,154	142,945	2,922,844	120,092
EXCESS OF REVENUE OVER EXPENSES, BEFORE AMORTIZATION	5,268,428	(254,154)	(139,945)	(2,718,667)	7,854
Amortization expense	34,980	-	28,530	937,409	93,144
EXCESS OF REVENUE OVER EXPENSES	5,233,448	(254,154)	(168,475)	(3,656,076)	(85,290)

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, 2019

	Utilities & Environmental Services \$	Seniors & Family Community Support Services \$	Cemetery Services \$	Planning & Development Services \$
REVENUE				
Net municipal taxes	-	-	-	-
Government transfer	-	-	19,265	-
User fees and sales of goods	184,727	-	800	25,512
Investment income	-	-	-	-
Oil well drilling taxes	-	-	-	-
	184,727	-	20,065	25,512
EXPENSES				
Salaries, wages and benefits	113,282	150	36,272	450
Contract and general services	176,587	-	471	95,985
Materials, goods and utilities	77,207	-	4,732	-
Provision for allowances	-	-	-	-
Transfers to other governments	-	-	-	-
Transfers to local boards and agencies	-	-	-	-
Transfers to individuals and organizations	200	43,661	-	9,900
Bank charges and short-term interest	-	-	-	-
Loss (gain) on disposal of tangible capital assets	-	-	-	-
Purchases from other governments	57,284	-	-	-
	424,560	43,811	41,475	106,335
EXCESS OF REVENUE OVER EXPENSES, BEFORE AMORTIZATION	(239,833)	(43,811)	(21,410)	(80,823)
Amortization expense	53,230	-	3,492	-
EXCESS OF REVENUE OVER EXPENSES	(293,063)	(43,811)	(24,902)	(80,823)

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, 2019

	Agricultural Services \$	Recreation & Cultural Services \$	2019 Total \$	2018 Total \$
REVENUE				
Net municipal taxes	-	-	5,285,000	5,220,742
Government transfer	168,358	54,934	1,179,590	2,131,888
User fees and sales of goods	15,753	7,000	429,631	475,350
Investment income	-	-	124,386	173,382
Oil well drilling taxes	-	-	290	-
	184,111	61,934	7,018,897	8,001,362
EXPENSES				
Salaries, wages and benefits	193,156	39,013	2,638,017	2,317,023
Contract and general services	68,790	17,064	1,206,590	1,154,710
Materials, goods and utilities	67,064	9,691	1,208,786	1,239,483
Provision for allowances	-	-	18,042	159,233
Transfers to other governments	-	288,818	378,613	307,255
Transfers to local boards and agencies	-	77,083	77,083	74,335
Transfers to individuals and organizations	70,150	137,735	297,204	203,392
Bank charges and short-term interest	-	-	3,782	22,091
Loss (gain) on disposal of tangible capital assets	-	-	78,376	15,000
Purchases from other governments	-	-	57,284	83,033
	399,160	569,404	5,963,777	5,575,555
EXCESS OF REVENUE OVER EXPENSES, BEFORE AMORTIZATION	(215,049)	(507,470)	1,055,120	2,425,807
Amortization expense	38,516	12,542	1,201,843	1,140,325
EXCESS OF REVENUE OVER EXPENSES	(253,565)	(520,012)	(146,723)	1,285,482

The accompanying notes form part of these financial statements

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2019

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, 2019

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, 2019

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

	2019	2018
	\$	\$
Cash	8,548,943	7,984,821
Temporary investments	45,224	43,628
	8,594,167	8,028,449

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.

Council has designated cash for the funding of restricted reserves, including operating \$1,395,135 (2018 - \$1,329,401) and capital \$5,644,782 (2018 - \$4,904,064), totaling \$7,039,917 (2018 - \$6,233,465).

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2019

3. RECEIVABLES

	2019	2018
	\$	\$
Property taxes		
Current taxes and grants in place of taxes	285,131	217,867
Arrears	92,137	46,889
	377,268	264,756
Other		
Trade	39,914	68,239
Loans	367,826	379,826
Other local governments		
Federal	58,232	122,814
Provincial	7,466	95,405
Local	51,943	42,819
	525,381	709,103
	902,649	973,859

The loans receivable consists of a loan to Fairview Cooperative Seed Cleaning Plant, repayable over a 5 year period with interest charged annually at 3.00% and a loan to Fairview Day Care & Playschool Society, repayable over a 13 year period with no interest charged.

4. INVESTMENTS

	2019	2018
	\$	\$
Guaranteed investment certificate - restricted	-	-
United Farmers of Alberta Co-operative Ltd.	4,486	4,468
Alberta Municipal Financing Corporation Shares - at cost	40	40
	4,526	4,508

5. EMPLOYEE BENEFITS OBLIGATIONS

	2019	2018
	\$	\$
Vacation and overtime	38,402	43,942

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, 2019

6. DEFERRED REVENUE

	2019	2018
	\$	\$
Municipal Sustainability Initiative - Capital	1,081,037	1,099,330
Gas Tax Fund	85,799	-
Alberta Community Partnership Grant - Peace Valley Conservation, Recreation & Tourism Society Partnership	45,744	-
Seedling Pre-order	-	173
Land Rent	-	18,526
	1,212,580	1,118,029

7. GRAVEL PIT RECLAMATION LIABILITY

The Municipal District is responsible for reclamation costs, under Alberta environmental law, for two gravel pits within the Municipal boundaries. These costs will be accrued over the life of the two gravel pits, which is estimated at between 15 and 20 years.

The estimated obligation for the reclamation of these gravel pits is \$1,632,108, based on engineering studies to determine the amount off disturbed land within the gravel pits.

The current annual liability recorded is \$85,720

8. 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:

	2019	2018
	\$	\$
Total Debt Limit	9,352,940	9,269,054
Total Debt	-	-
Debt Limit Available	9,352,940	9,269,054
Debt Service Limit	1,558,823	1,555,911
Debt Service	-	-
Debt Service Limit Available	1,558,823	1,555,911

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, 2019

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	2019	2018
	\$	\$
Tangible capital assets (Schedule 2)	55,700,426	55,348,787
Accumulated amortization (Schedule 2)	(35,288,411)	(34,438,418)
	20,412,015	20,910,369

10. ACCUMULATED SURPLUS

	2019	2018
	\$	\$
Unrestricted surplus	1,177,457	1,632,278
Restricted surplus		
Operating reserves		
Admin operations	7,500	5,000
Cemetery	128,383	115,148
Gravel	450,195	300,195
Land development	-	-
Rate stabilization fund	809,057	909,058
Capital reserves		
Agriculture Service Board	215,184	186,704
Airport	183,553	85,477
Bridges	757,496	557,496
Fire department	268,404	238,404
Joint Use Cultural Facilities	40,000	40,000
Office building	390,468	365,000
Public Land Reserve Fund	10,310	10,230
Public Works	2,842,315	2,528,516
Recreation and Community Services	286,187	336,187
Senior Services	63,100	63,100
Waste Water	266,182	216,183
Water	321,583	276,767
Equity in tangible capital assets	20,412,015	20,910,369
	28,629,389	28,776,112

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2019

11. SALARY AND BENEFITS DISCLOSURE

	2019			2018	
	Salary (1)	Benefits & Allowances (2)	Expenses	Total	
	\$	\$	\$	\$	
Reeve & Division 4	42,900	-	7,275	50,175	40,755
Councilors					
Division 1	41,013	663	12,146	53,822	44,493
Division 2	40,750	84	10,456	51,290	41,811
Division 3	27,600	210	6,110	33,920	32,037
Division 5 & 6	33,125	84	6,737	39,946	38,046
Chief Administrative Officer	131,341	22,393	-	153,734	145,256
Designated Officers (3)	262,012	48,269	-	310,281	145,256

- (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.

12. 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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the Municipal District are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the Municipal District to the LAPP in 2019 were \$173,896 (2018 - \$164,985). Total current service contributions by the employees of the Municipal District to the LAPP in 2019 were \$157,297 (2018 - \$150,577).

Municipal District of Fairview No. 136

Notes to the Financial Statements

December 31, 2019

13. CONTINGENCIES

The Municipal District is a member of the Rural Municipalities of Alberta - RMA Insurance. 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.

14. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had significant impact on municipal government operations through the restrictions put in place by the Canadian and provincial governments as well as municipal governments regarding, travel, isolation/quarantine orders, closure of public facilities, cancellation/postponement of programs and tax and utility deferral programs. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Municipal District as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of public facility closures, program and service disruptions and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

15. 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.

16. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.