

**TOWN OF FAIRVIEW**  
**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

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# TOWN OF FAIRVIEW

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## Management's Responsibility

To the Mayor and Council of Town of Fairview:

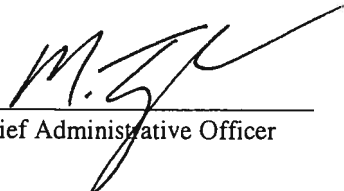
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Council is composed entirely of Councillors who are neither management nor employees of the Town. The Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and external auditors. Council is responsible for the appointment of the Town's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

May 17, 2011

  
\_\_\_\_\_  
Chief Administrative Officer





MEYERS NORRIS PENNY LLP

## Auditors' Report

To the Mayor and Council of  
The Town of Fairview

### *Report on the Consolidated Financial Statements*

We have audited the accompanying consolidated financial statements of the Town of Fairview, which comprise the statement of financial position as at December 31, 2010, and the statements of financial activities, change in net financial assets and 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' 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 generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 auditors' judgement, 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 preparation 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, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Fairview as at December 31, 2010, the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Peace River, Alberta  
May 17, 2011

*Meyers Norris Penny LLP*  
Chartered Accountants

**TOWN OF FAIRVIEW  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 \$	2009 \$ (Restated) Note 18
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 2)	<u>5,367,098</u>	<u>3,259,286</u>
Receivables		
Taxes and grants in lieu of taxes (Note 3)	241,222	166,669
Debt charges recoverable (Note 5)	225,663	234,157
Trade and other receivables	866,939	804,014
Land inventory held for resale	-	301,515
Long-term investments (Note 4)	<u>20</u>	<u>20</u>
	<u>6,700,942</u>	<u>4,765,661</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,487,764	875,975
Deposit liabilities	131,108	26,287
Deferred revenue (Note 6)	1,949,645	1,076,780
Long term debt (Note 7)	<u>5,260,460</u>	<u>3,750,399</u>
	<u>8,828,977</u>	<u>5,729,441</u>
<b>NET FINANCIAL ASSETS</b>	<u>(2,128,035)</u>	<u>(963,780)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	30,195,100	28,029,923
Other inventory	34,105	68,210
Prepaid expenses	<u>14,915</u>	<u>6,640</u>
	<u>30,244,120</u>	<u>28,104,773</u>
<b>ACCUMULATED SURPLUS (Note 10)</b>	<u>28,116,085</u>	<u>27,140,993</u>

Commitments and contingencies - See Notes 13 and 14

Approved by



Mayor



Chief Administrative Officer

See accompanying notes to the financial statements

**TOWN OF FAIRVIEW  
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budget \$ (Unaudited)	2010 \$	2009 \$ (Restated) Note 18
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	3,033,120	2,989,004	2,786,992
User fees and sale of goods	2,098,900	2,147,660	1,771,760
Government transfers for operating (Schedule 4)	627,971	615,813	549,337
Investment income	26,000	41,041	30,615
Penalties and costs on taxes	40,000	57,002	42,901
Franchise and concession contracts	375,000	285,330	269,927
Gain on disposal of capital assets	-	67,832	-
Other revenues	118,258	137,035	142,047
<b>Total revenues</b>	<b>6,319,249</b>	<b>6,340,717</b>	<b>5,593,579</b>
<b>EXPENSES</b>			
<b>Operating</b>			
Legislative	81,000	89,069	86,318
Administration	747,369	1,242,350	1,122,471
Protective services	186,000	146,960	134,690
Transportation	1,035,001	1,240,133	1,405,102
Water supply and distribution	806,543	1,122,149	1,022,792
Wastewater treatment and disposal	186,618	322,934	222,791
Waste management	372,324	372,094	338,549
Culture	179,948	170,882	186,659
Public health and economic development	149,200	176,478	127,191
Recreation and parks	1,161,053	1,626,922	1,407,982
Family and community services	232,700	269,049	295,465
<b>Total Expenses</b>	<b>5,137,756</b>	<b>6,779,020</b>	<b>6,350,010</b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<b>1,181,493</b>	<b>(438,303)</b>	<b>(756,431)</b>
<b>OTHER</b>			
Development Levies and Other Contributions	225,800	580,457	547,183
Contributed assets	-	(767,222)	-
Government transfers for capital (Schedule 4)	2,347,207	1,600,160	1,124,881
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	<b>3,754,500</b>	<b>975,092</b>	<b>915,633</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR AS PREVIOUSLY STATED</b>	<b>27,146,072</b>	<b>27,146,072</b>	<b>26,225,360</b>
<b>PRIOR PERIOD ADJUSTMENT (Note 18)</b>	<b>-</b>	<b>(5,079)</b>	<b>-</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR AS RESTATED</b>	<b>27,146,072</b>	<b>27,140,993</b>	<b>26,225,360</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>30,900,572</b>	<b>28,116,085</b>	<b>27,140,993</b>

See accompanying notes to the financial statements

**TOWN OF FAIRVIEW  
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budget \$ (Unaudited)	2010 \$	2009 \$ (Restated) Note 18
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	<u>3,754,500</u>	<u>975,092</u>	<u>915,633</u>
Acquisition of tangible capital assets	(6,758,410)	(4,190,594)	(2,464,997)
Proceeds on disposal of tangible capital assets	-	159,000	-
Amortization of tangible capital assets	-	1,167,027	1,029,094
Contributed tangible capital assets	-	767,222	-
Gain on sale of tangible capital assets	-	(67,832)	-
	<u>(6,758,410)</u>	<u>(2,165,177)</u>	<u>(1,435,903)</u>
Acquisition of supplies inventories	-	-	-
Acquisition of prepaid assets	-	(14,915)	(6,640)
Use of supplies inventories	-	34,105	34,094
Use of prepaid assets	-	6,640	14,470
	<u>-</u>	<u>25,830</u>	<u>41,924</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL DEBT</b>	(3,003,910)	(1,164,255)	(478,346)
<b>NET FINANCIAL DEBT, BEGINNING OF YEAR</b>	<u>(963,780)</u>	<u>(963,780)</u>	<u>(485,434)</u>
<b>NET FINANCIAL DEBT, END OF YEAR</b>	<u><u>(3,967,690)</u></u>	<u><u>(2,128,035)</u></u>	<u><u>(963,780)</u></u>

**TOWN OF FAIRVIEW  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 \$	2009 \$ (Restated) Note 18
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Shortfall of revenues over expenses	975,092	915,633
Non-cash items included in shortfall of revenues over expenses:		
Amortization of tangible capital assets	1,167,027	1,029,094
Gain on disposal of tangible capital assets	(67,832)	-
Contributed tangible capital assets	767,221	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(74,553)	(45,350)
Decrease (increase) in trade and other receivables	(62,925)	(6,929)
Decrease in land held for resale	301,515	343,600
Decrease in inventory for consumption	34,105	34,105
Decrease (increase) in prepaid expenses	(8,275)	7,830
Decrease (increase) in accounts payable and accrued liabilities	611,789	426,659
Decrease (increase) in deposit liabilities	104,821	(3,388)
Decrease (increase) in deferred revenue	872,865	(2,362)
Cash provided by operating transactions	<u>4,620,850</u>	<u>2,698,892</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(4,190,594)	(2,464,997)
Sale of tangible capital assets	159,000	-
Cash applied to capital transactions	<u>(4,031,594)</u>	<u>(2,464,997)</u>
<b>FINANCING</b>		
Long-term debt repaid	(384,939)	(271,485)
Long-term debt issued	1,895,000	500,000
Debt charges recovered	8,495	8,106
Cash provided by financing transactions	<u>1,518,556</u>	<u>236,621</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>2,107,812</b>	<b>470,516</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>3,259,286</u></b>	<b><u>2,788,770</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)</b>	<b><u><u>5,367,098</u></u></b>	<b><u><u>3,259,286</u></u></b>

See accompanying notes to the financial statements

TOWN OF FAIRVIEW  
 SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS  
 FOR THE YEAR ENDED DECEMBER 31, 2010  
 SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2010 \$	2009 \$ (Restated) Note 18
<b>BALANCE, BEGINNING OF YEAR AS PREVIOUSLY STATED</b>	1,061,305	1,773,618	24,311,149	<b>27,146,072</b>	26,225,360
Prior period adjustment (Note 18)	(207,611)	-	202,532	<b>(5,079)</b>	-
<b>BALANCE, BEGINNING OF YEAR AS RESTATED</b>	853,694	1,773,618	24,513,681	<b>27,140,993</b>	26,225,360
Excess (deficiency) of revenues over expenses	975,092	-	-	<b>975,092</b>	915,633
Current year funds used for tangible capital assets	(3,885,554)	-	3,885,554	-	-
Restricted funds used for tangible capital assets	-	(305,040)	305,040	-	-
Annual amortization expense	1,167,027	-	(1,167,027)	-	-
Unrestricted funds designated for future use	(110,545)	110,545	-	-	-
Restricted funds used for operations	4,928	(4,928)	-	-	-
Disposal of tangible capital assets	91,168	-	(91,168)	-	-
Contributed assets	767,222	-	(767,222)	-	-
New debt issued	1,895,000	-	(1,895,000)	-	-
Long term debt repaid	(376,445)	-	376,445	-	-
Change in accumulated surplus	527,893	(199,423)	646,622	<b>975,092</b>	915,633
<b>BALANCE, END OF YEAR</b>	1,381,587	1,574,195	25,160,303	<b>28,116,085</b>	27,140,993

**TOWN OF FAIRVIEW  
SCHEDULE OF TANGIBLE CAPITAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010  
SCHEDULE 2**

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2010 \$	2009 \$ (Restated) Note 18
<b>COST:</b>							
<b>BALANCE, BEGINNING OF YEAR</b>	635,310	12,628,798	25,931,460	3,802,914	1,036,511	<b>44,034,993</b>	41,569,996
Acquisition of tangible capital assets	-	2,325,236	1,815,174	50,184	-	<b>4,190,594</b>	2,464,997
Disposal of tangible capital assets	-	(793,678)	-	-	(136,752)	<b>(930,430)</b>	-
<b>BALANCE, END OF YEAR</b>	635,310	14,160,356	27,746,634	3,853,098	899,759	<b>47,295,157</b>	44,034,993
<b>ACCUMULATED AMORTIZATION:</b>							
<b>BALANCE, BEGINNING OF YEAR</b>	-	4,658,722	8,901,455	2,029,679	415,214	<b>16,005,070</b>	14,975,976
Annual amortization	-	427,293	603,176	96,762	39,796	<b>1,167,027</b>	1,029,094
Accumulated amortization on disposals	-	(26,456)	-	-	(45,584)	<b>(72,040)</b>	-
<b>BALANCE, END OF YEAR</b>	-	5,059,559	9,504,631	2,126,441	409,426	<b>17,100,057</b>	16,005,070
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	635,310	9,100,797	18,242,003	1,726,657	490,333	<b>30,195,100</b>	28,029,923
2009 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS (Restated)	635,310	7,970,076	17,030,005	1,773,235	621,297	<b>28,029,923</b>	



**TOWN OF FAIRVIEW  
 SCHEDULE OF PROPERTY TAXES LEVIED  
 FOR THE YEAR ENDED DECEMBER 31, 2010  
 SCHEDULE 3**

	Budget \$ (Unaudited)	2010 \$	2009 \$
<b>TAXATION</b>			
Real property taxes	3,450,870	<b>3,393,739</b>	3,205,128
Linear property taxes	84,450	<b>85,217</b>	76,760
Government grants in place of property taxes	59,800	<b>59,781</b>	56,055
Special assessments and local improvement taxes	260,000	<b>271,420</b>	272,583
	<u>3,855,120</u>	<u><b>3,810,157</b></u>	<u>3,610,526</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	746,000	<b>746,003</b>	747,319
North Peace Housing Foundation	76,000	<b>75,150</b>	76,215
	<u>822,000</u>	<u><b>821,153</b></u>	<u>823,534</u>
<b>NET MUNICIPAL TAXES</b>	<u><b>3,033,120</b></u>	<u><b>2,989,004</b></u>	<u>2,786,992</u>

**TOWN OF FAIRVIEW  
 SCHEDULE OF GOVERNMENT TRANSFERS  
 FOR THE YEAR ENDED DECEMBER 31, 2010  
 SCHEDULE 4**

	Budget \$ (Unaudited)	2010 \$	2009 \$
<b>TRANSFERS FOR OPERATING:</b>			
Provincial Government	419,867	<b>413,398</b>	397,723
Federal Government	34,300	<b>20,910</b>	-
Other Local Governments	173,804	<b>181,505</b>	151,614
	<u>627,971</u>	<u><b>615,813</b></u>	<u>549,337</u>
<b>TRANSFERS FOR CAPITAL:</b>			
Provincial Government	375,000	<b>1,152,665</b>	872,303
Federal Government	1,972,207	<b>447,495</b>	252,578
	<u>2,347,207</u>	<u><b>1,600,160</b></u>	<u>1,124,881</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>2,975,178</u>	<u><b>2,215,973</b></u>	<u>1,674,218</u>

See accompanying notes to the financial statements

**TOWN OF FAIRVIEW  
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT  
FOR THE YEAR ENDED DECEMBER 31, 2010  
SCHEDULE 5**

	Budget \$ (Unaudited)	2010 \$	2009 \$ (Restated) Note 18
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	1,724,026	<b>1,919,633</b>	1,742,282
Contracted and general services	1,061,026	<b>1,024,380</b>	921,530
Materials, goods, supplies and utilities	1,674,080	<b>1,682,370</b>	1,595,030
Provision for allowances	-	<b>493</b>	-
Transfers to local boards and agencies	10,000	-	18,000
Bank charges and short term interest	3,000	<b>8,198</b>	1,091
Interest on capital long-term debt	197,172	<b>188,438</b>	183,290
Amortization of tangible capital assets	-	<b>1,167,027</b>	1,029,094
Other expenses	468,452	<b>788,481</b>	859,693
	<u>5,137,756</u>	<u><b>6,779,020</b></u>	<u>6,350,010</u>

See accompanying notes to the financial statements

**TOWN OF FAIRVIEW  
SCHEDULE OF SEGMENTED DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2010  
SCHEDULE 6**

	General Government	Protective Services	Transportation Services	Community Services	Recreation & Culture	Environmental Services	Other	Total \$
<b>REVENUE</b>								
Net municipal taxes	2,989,004	-	-	-	-	-	-	2,989,004
Government transfers	433,994	4,000	167,548	224,002	218,694	1,129,510	-	2,177,748
User fees and sales of goods	263,617	245	-	-	310,394	1,573,404	-	2,147,660
Investment income	41,041	-	-	-	-	-	-	41,041
Other revenues	351,046	36,437	32,320	10,036	481,534	-	186,674	1,098,047
	4,078,702	40,682	199,868	234,038	1,010,622	2,702,914	186,674	8,453,500
<b>EXPENSES</b>								
Contract & general services	320,543	81,505	54,742	16,905	166,345	273,686	110,654	1,024,380
Salaries & wages	538,622	1,199	234,586	85,277	657,408	402,543	-	1,919,635
Goods & supplies	86,218	34,930	470,193	30,790	534,307	487,707	38,224	1,682,369
Long term debt interest	-	-	123,170	-	11,789	53,478	-	188,437
Other expenses	381,800	-	-	136,077	107,025	172,268	699,390	1,496,560
	1,327,183	117,634	882,691	269,049	1,476,874	1,389,682	848,268	6,311,381
<b>NET REVENUE BEFORE AMORTIZATION</b>	2,751,519	(76,952)	(682,823)	(35,011)	(466,252)	1,313,232	(661,594)	2,142,119
Amortization expense	(4,235)	(29,325)	(357,440)	(600)	(320,930)	(427,495)	(27,002)	(1,167,027)
<b>NET REVENUE</b>	2,747,284	(106,277)	(1,040,263)	(35,611)	(787,182)	885,737	(688,596)	975,092



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Town of Fairview 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 Town of Fairview are as follows:

**a) Reporting entity**

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the town and are, therefore, accountable to the town Council for administration of their financial affairs and resources. Included with the municipality are the following:

Town of Fairview Fire Department  
Town of Fairview FCSS Board

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are 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 records 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 the 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 capital 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.

**TOWN OF FAIRVIEW  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d) Investments**

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

**e) Inventories for Resale**

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

**f) Prepaid Local Improvement Charges**

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

**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, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

**h) Requisition Over-levies and Under-Levies**

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

**TOWN OF FAIRVIEW  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**i) 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 (Debt) 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:

	<b>YEARS</b>
Land Improvements	
Buildings	25-50
Engineered structures	
Roadway system	10-20
Water system	35-75
Wastewater system	35-75
Other engineered structures	35-75
Machinery and equipment	5-25
Vehicles	5-25

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

**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 operating leases and the related lease payments are charged to expenses as incurred.

**iv. Inventories**

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

**v. Cultural and Historical Tangible Capital Assets**

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

**TOWN OF FAIRVIEW  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**2. CASH AND TEMPORARY INVESTMENTS**

	<u>2010</u>	<u>2009</u>
	\$	\$
Cash	<u>1,289,702</u>	<u>185,549</u>
Temporary investments with stated interest at 0.80% per annum compounded monthly	<u>4,077,396</u>	<u>3,073,737</u>
	<u><b>5,367,098</b></u>	<u><b>3,259,286</b></u>

Temporary investments are short-term deposits with original maturities of three months or less.

Included in temporary investments is a restricted amount of \$127,568 (2009-\$116,994) which is the Fairview Regional Aquatic Center Endowment Fund. This balance is also included in reserves.

**3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES**

	<u>2010</u>	<u>2009</u>
	\$	\$
Current taxes and grants in place of taxes	<u>82,821</u>	<u>78,346</u>
Non-current taxes and grants in lieu	<u>158,401</u>	<u>88,323</u>
	<u><b>241,222</b></u>	<u><b>166,669</b></u>

**4. Investments**

	<u>2010</u>		<u>2009</u>	
	Cost \$	Market Value \$	Cost \$	Market Value \$
Shares in AAMDC	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>

**5. DEBT CHARGES RECOVERABLE**

	<u>2010</u>	<u>2009</u>
	\$	\$
Non current debt charges recoverable	<u>225,663</u>	<u>234,157</u>

The town has assisted the Fairview Golf Club with Clubhouse renovations by issuing a debenture totalling \$250,000. The amount is recoverable with interest at 4.72%.

Semi annual payments of principal and interest are \$9,730 each, due in June and December each year. This debt matures December 17, 2027.

**TOWN OF FAIRVIEW  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>6. DEFERRED REVENUE</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Prepaid local improvement charges	<b>305,407</b>	335,861
Deferred grants	<b>1,618,826</b>	684,621
Other	<b>25,412</b>	56,298
	<b>1,949,645</b>	<b>1,076,780</b>

Prepaid local improvement charges are being amortized to revenue.

Deferred Grants:

Street Improvement	service road	80,984
Street Improvement	sidewalks	63,324
Street improvement 2010	street overlays	32,872
AWWWP	water treatment plant	1,000,000
MSI Capital 2010	water treatment plant	388,633
MSI Operating 2009	various	53,013
		<u>1,618,826</u>

Other:

Includes unspent amount of \$946 which is a grant for Intermunicipal Cooperation.  
Original amount of this grant was \$35,000.

Includes unspent amount of \$18,997 which is a grant for Strategic Planning.  
Original amount of this grant was \$37,907.

**TOWN OF FAIRVIEW  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**7. LONG-TERM DEBT**

	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>
Tax supported debentures	<u>2,627,746</u>	1,433,278
Self supported debentures	<u>2,407,051</u>	2,082,964
Recoverable debentures	<u>225,663</u>	234,157
	<u><u>5,260,460</u></u>	<u><u>3,750,399</u></u>

The current portion of the long-term debt amounts to \$430,602 (2009 - \$379,979).

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
2011	430,602	251,684	682,286
2012	425,420	232,879	658,299
2013	446,482	211,817	658,299
2014	429,079	189,545	618,624
2015	333,433	178,793	512,226
Thereafter	3,195,444	910,755	4,106,199
	<u><u>5,260,460</u></u>	<u><u>1,975,473</u></u>	<u><u>7,235,933</u></u>

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 2.284% to 11.375% per annum, before Provincial subsidy, and matures in years 2011 through 2030. The average annual interest rate is 5.347% for 2010 (6.520% for 2009).

Debenture debt is issued on the credit and security of the Town of Fairview at large.

Interest on long-term debt amounted to \$203,549 (2009-\$183,289).

The Town's total cash payments for interest in 2010 were \$185,413 (2009 - \$202,683).

**TOWN OF FAIRVIEW  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**8. DEBT LIMITS**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Fairview be disclosed as follows:

	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>
Total debt limit	<u>9,409,328</u>	<u>8,390,369</u>
Total debt	<u>5,260,460</u>	<u>3,750,399</u>
Amount of debt limit unused	<u>4,148,868</u>	<u>4,639,970</u>
Debt servicing limit	<u>1,568,221</u>	<u>1,398,395</u>
Total debt payments	<u>682,286</u>	<u>581,523</u>
Amount of debt servicing limit unused	<u>885,935</u>	<u>816,872</u>

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 that 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.

**9. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>
		(Restated)
Tangible capital assets (Schedule 2)	<u>47,295,157</u>	<u>44,034,993</u>
Accumulated amortization (Schedule 2)	<u>(17,100,057)</u>	<u>(16,005,070)</u>
Long-term debt (Note 7)	<u>(5,260,460)</u>	<u>(3,750,399)</u>
Debt charges recoverable (Note 5)	<u>225,663</u>	<u>234,157</u>
	<u>25,160,303</u>	<u>24,513,681</u>

**10. ACCUMULATED SURPLUS**

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>
		(Restated)
Unrestricted surplus (deficit)	<u>1,381,587</u>	<u>853,694</u>
Restricted surplus		
General operating	<u>71,773</u>	<u>71,773</u>
Fire department operating	<u>279,253</u>	<u>279,253</u>
Other operating	<u>23,245</u>	<u>8,787</u>
General capital	<u>204,778</u>	<u>354,778</u>
Firehall and fire truck capital	<u>412,413</u>	<u>322,413</u>
Streets capital	<u>189,000</u>	<u>189,000</u>
Swimming pool capital	<u>153,840</u>	<u>153,568</u>
Other capital	<u>238,893</u>	<u>393,046</u>
Water developer's levy	<u>1,000</u>	<u>1,000</u>
Equity intangible capital assets	<u>25,160,303</u>	<u>24,513,681</u>
	<u>28,116,085</u>	<u>27,140,993</u>

**TOWN OF FAIRVIEW  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**11. SALARY AND BENEFITS DISCLOSURE**

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	2010		2009	
	\$		\$	
	Salary 1	Benefits & allowances <sup>2</sup>	Total	Total
<b>Councillors</b>				
Gordon MacLeod	3,662	-	3,662	-
Brent Dechant	5,075	-	5,075	8,462
Tony Prybysh	6,825	-	6,825	6,693
Larry Chorney	13,457	-	13,457	12,831
Anne Grayson	8,169	-	8,169	10,016
Lloyd Campbell	12,738	503	13,241	18,336
Noel Jorgenson	5,605	-	5,605	8,438
Tim Schindel	8,780	-	8,780	8,188
Dennis Radbourne	2,339	-	2,339	-
Paul Buck	2,429	-	2,429	-
<b>CAO</b>	<b>103,163</b>	<b>14,124</b>	<b>117,287</b>	<b>112,119</b>
<b>Designated Officers (2 positions)</b>	<b>151,811</b>	<b>22,244</b>	<b>174,055</b>	<b>180,174</b>

1 Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

2 Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

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**12. LOCAL AUTHORITIES PENSION PLAN**

Employees of the Town 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 133,000 people and 389 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 Town is required to make current service contributions to the LAPP of 9.06% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.53% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.06% of pensionable salary up to the year's maximum pensionable salary and 11.53% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2010 were \$112,589 (2009 - \$86,844). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2010 were \$100,884 (2009 - \$76,214).

At December 31, 2009, the LAPP disclosed an actuarial deficiency of \$4.0 million.

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**13. COMMITMENTS**

The Town is committed to make one more annual payment of \$25,000 for the next year to the 55+ Senior Games.

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**14. CONTINGENCIES**

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town 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.

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**15. FINANCIAL INSTRUMENTS**

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

**TOWN OF FAIRVIEW**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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**16. RECONCILIATION OF OPERATING RESULTS TO BUDGETING SYSTEM**

In 2009, the Town adopted new accounting standards related to tangible capital assets, including amortization. However, the Town budget was prepared on previous accounting standards which tracks all municipal activities including capital projects and reserves for future use. The reconciliation below to encompass these items is provided for information purposes only to provide users with supplementary comparative information. It should not be used as a replacement for the consolidated statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	Unaudited Budget 2010	2010	2009
Excess of revenue over expenditures, per financial statements	\$ 3,754,500	\$ 975,092	\$ 915,633
Add back:			
Amortization expense	-	1,167,027	1,029,094
Capital transfers to other organizations	-	767,222	-
Net transfers (to) from reserves	(84,700)	(100,417)	274,494
Net transfers (to) from capital projects	-	-	(518,337)
Deduct:			
Gain on disposal of tangible capital assets	-	(67,832)	-
Government transfers for capital	(2,347,207)	(1,600,160)	(1,124,880)
Other capital revenues	(225,800)	(648,229)	(546,183)
Results of operations - previous methods	<u>\$ 1,096,793</u>	<u>\$ 492,703</u>	<u>\$ 29,821</u>

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**17. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.

**TOWN OF FAIRVIEW  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**18. PRIOR PERIOD ADJUSTMENTS**

During the year, it was determined that the prior year's financial statements did not include accruals for capital projects in progress and other operating expenses. These are adjusted as follows:

	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>
<b>Adjustments to opening accumulated surplus:</b>		
As previously reported	27,146,072	27,146,072
Adjustment to net book value of tangible capital assets	202,532	-
Adjustment to unrestricted surplus	(207,611)	-
<b>As restated</b>	<u>27,140,993</u>	<u>27,146,072</u>
		<u>2009</u>
		<u>\$</u>
<b>Adjustments to excess of revenues over expenses:</b>		
As previously reported		920,712
Adjustment to operating expenses		(5,079)
<b>As restated</b>		<u>915,633</u>
		<u>2009</u>
		<u>\$</u>
<b>Adjustments to tangible capital assets:</b>		
As previously reported		27,827,391
Adjustment to historical cost of tangible capital assets		202,532
<b>As restated</b>		<u>28,029,923</u>

*Certain comparative figures have been restated to conform to the current year's presentation.*