



TOWN OF FAIRVIEW
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016



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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 Councilors 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.

MNP LLP, an independent firm of Chartered Professional 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.

April 18, 2017


Chief Administrative Officer

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, 2016, 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, 2016, 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
April 18, 2017

MNP LLP
Chartered Professional Accountants



**TOWN OF FAIRVIEW
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016	2015
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	4,777,120	4,405,174
Receivables		
Taxes and grants in lieu of taxes (Note 3)	1,401,969	1,629,129
Debt charges recoverable (Note 5)	165,454	176,696
Trade and other receivables	416,064	428,491
Land held for resale	204,650	120,800
Long-term investments (Note 4)	20	20
	<u>6,965,277</u>	<u>6,760,310</u>
LIABILITIES		
Accounts payable and accrued liabilities	540,664	602,794
Deposit liabilities	52,790	55,775
Deferred revenue (Note 6)	244,785	33,063
Long term debt (Note 7)	3,867,876	4,610,603
	<u>4,706,115</u>	<u>5,302,235</u>
NET FINANCIAL ASSETS	<u>2,259,162</u>	<u>1,458,075</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	36,990,316	36,991,997
Prepaid expenses	17,647	13,057
	<u>37,007,963</u>	<u>37,005,054</u>
ACCUMULATED SURPLUS (Note 10)	<u>39,267,125</u>	<u>38,463,129</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, 2016**

	Budget \$	2016 \$	2015 \$
REVENUE			
Net municipal property taxes (Schedule 3)	3,397,923	3,366,880	3,630,323
User fees and sale of goods	2,697,180	2,638,103	2,795,483
Government transfers for operating (Schedule 4)	489,495	638,730	483,762
Investment income	37,450	76,546	70,421
Penalties and costs on taxes	102,878	161,194	163,011
Franchise and concession contracts	408,291	406,149	402,457
Gain on disposal of capital assets	-	4,708	-
Other revenues	94,474	109,624	134,504
Total revenues	<u>7,227,691</u>	<u>7,401,934</u>	<u>7,679,961</u>
EXPENSES			
Operating			
Legislative	154,710	206,159	126,149
Administration	912,926	788,259	873,505
Protective services	331,932	264,622	267,709
Transportation	1,734,592	1,610,723	1,557,561
Water supply and distribution	1,549,747	1,496,222	1,433,922
Wastewater treatment and disposal	500,895	483,140	409,976
Waste management	461,955	453,680	427,331
Culture	211,812	202,922	195,932
Public health and economic development	106,471	125,413	61,804
Recreation and parks	1,763,582	1,684,598	1,624,187
Family and community services	241,853	235,991	183,668
Total Expenses	<u>7,970,475</u>	<u>7,551,729</u>	<u>7,161,744</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(742,784)	(149,795)	518,217
OTHER			
Development Levies and Other Contributions	-	1,500	39,166
Contributed assets	-	-	38,574
Government transfers for capital (Schedule 4)	1,113,400	952,291	1,004,731
EXCESS OF REVENUE OVER EXPENSES	370,616	803,996	1,600,688
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>38,463,129</u>	<u>38,463,129</u>	<u>36,862,441</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>38,833,745</u></u>	<u><u>39,267,125</u></u>	<u><u>38,463,129</u></u>

See accompanying notes to the financial statements



**TOWN OF FAIRVIEW
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget \$	2016 \$	2015 \$
EXCESS OF REVENUES OVER EXPENSES	<u>370,616</u>	<u>803,996</u>	<u>1,600,688</u>
Acquisition of tangible capital assets	(1,949,556)	(1,652,499)	(1,831,851)
Tangible capital assets received as contributions	-	-	(38,574)
Proceeds on disposal of tangible capital assets	-	4,708	-
Amortization of tangible capital assets	1,718,830	1,654,180	1,635,104
Gain on sale of tangible capital assets	-	(4,708)	-
	<u>(230,726)</u>	<u>1,681</u>	<u>(235,321)</u>
Acquisition of supplies inventories	-	-	-
Acquisition of prepaid assets	-	(17,647)	(13,057)
Use of supplies inventories	-	-	-
Use of prepaid assets	-	13,057	20,227
	<u>-</u>	<u>(4,590)</u>	<u>7,170</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	<u>139,890</u>	<u>801,087</u>	<u>1,372,537</u>
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,458,075</u>	<u>1,458,075</u>	<u>85,538</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>1,597,965</u>	<u>2,259,162</u>	<u>1,458,075</u>



**TOWN OF FAIRVIEW
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016	2015
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	803,996	1,600,688
Non-cash items included in shortfall of revenues over expenses:		
Amortization of tangible capital assets	1,654,180	1,635,104
Gain on disposal of tangible capital assets	(4,708)	-
Tangible capital assets received as contributions	-	(38,574)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	227,160	90,493
Decrease (increase) in trade and other receivables	12,427	299,188
Decrease (increase) in land held for resale	(83,850)	-
Decrease (increase) in prepaid expenses	(4,590)	7,170
Increase (decrease) in accounts payable and accrued liabilities	(62,130)	(160,001)
Increase (decrease) in deposit liabilities	(2,985)	(594,802)
Increase (decrease) in deferred revenue	211,722	10,728
Cash provided by operating transactions	<u>2,751,222</u>	<u>2,849,994</u>
CAPITAL		
Acquisition of tangible capital assets	(1,652,499)	(1,831,851)
Sale of tangible capital assets	4,708	-
Cash applied to capital transactions	<u>(1,647,791)</u>	<u>(1,831,851)</u>
FINANCING		
Long-term debt repaid	(742,726)	(742,673)
Long-term debt issued	-	-
Debt charges recovered	11,241	10,729
Cash applied to financing transactions	<u>(731,485)</u>	<u>(731,944)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	371,946	286,199
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,405,174</u>	<u>4,118,975</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)	<u><u>4,777,120</u></u>	<u><u>4,405,174</u></u>

See accompanying notes to the financial statements



**TOWN OF FAIRVIEW
 SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
 FOR THE YEAR ENDED DECEMBER 31, 2016
 SCHEDULE 1**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016 \$	2015 \$
BALANCE, BEGINNING OF YEAR	600,412	5,304,627	32,558,090	38,463,129	36,862,441
Excess of revenues over expenses	803,996	-	-	803,996	1,600,688
Current year funds used for tangible capital assets	(1,147,428)	-	1,147,428	-	-
Contributed Assets	-	-	-	-	-
Restricted funds used for tangible capital assets	-	(505,071)	505,071	-	-
Annual amortization expense	1,654,180	-	(1,654,180)	-	-
Unrestricted funds designated for future use	(1,236,305)	1,236,305	-	-	-
Restricted funds used for operations	661,752	(661,752)	-	-	-
New debt issued	-	-	-	-	-
Long term debt repaid	(731,485)	-	731,485	-	-
Change in accumulated surplus	4,710	69,482	729,804	803,996	1,600,688
BALANCE, END OF YEAR	605,122	5,374,109	33,287,894	39,267,125	38,463,129

See accompanying notes to the financial statements



**TOWN OF FAIRVIEW
SCHEDULE OF TANGIBLE CAPITAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
SCHEDULE 2**

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2016 \$	2015 \$
COST:							
BALANCE, BEGINNING OF YEAR	885,173	18,545,556	33,444,308	4,596,959	1,308,589	58,780,585	57,251,974
Acquisition of tangible capital assets	193,636	-	1,173,693	101,365	183,805	1,652,499	1,831,851
Contributed tangible capital assets	-	-	-	-	-	-	38,574
Disposal of tangible capital assets	-	-	(69,499)	(76,902)	(28,325)	(174,726)	(341,814)
BALANCE, END OF YEAR	1,078,809	18,545,556	34,548,502	4,621,422	1,464,069	60,258,358	58,780,585
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	7,752,496	11,035,068	2,400,581	600,443	21,788,588	20,495,298
Annual amortization	-	579,586	802,705	214,268	57,621	1,654,180	1,635,104
Accumulated amortization on disposals	-	-	(69,499)	(76,902)	(28,325)	(174,726)	(341,814)
BALANCE, END OF YEAR	-	8,332,082	11,768,274	2,537,947	629,739	23,268,042	21,788,588
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,078,809	10,213,474	22,780,228	2,083,475	834,330	36,990,316	36,991,997
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	885,173	10,793,060	22,409,240	2,196,378	708,146	36,991,997	

See accompanying notes to the financial statements



TOWN OF FAIRVIEW
SCHEDULE OF PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2016
SCHEDULE 3

	Budget \$	2016 \$	2015 \$
TAXATION			
Real property taxes	4,233,878	4,177,844	4,429,844
Linear property taxes	95,877	88,685	95,877
Government grants in place of property taxes	53,701	60,554	82,029
	<u>4,383,456</u>	<u>4,327,083</u>	<u>4,607,750</u>
REQUISITIONS			
Alberta School Foundation Fund	878,675	854,136	875,350
North Peace Housing Foundation	106,858	106,067	102,077
	<u>985,533</u>	<u>960,203</u>	<u>977,427</u>
NET MUNICIPAL TAXES	<u>3,397,923</u>	<u>3,366,880</u>	<u>3,630,323</u>

See accompanying notes to the financial statements



**TOWN OF FAIRVIEW
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2016
SCHEDULE 4**

	Budget \$	2016 \$	2015 \$
TRANSFERS FOR OPERATING:			
Provincial Government	292,864	407,810	277,890
Federal Government	-	-	-
Other Local Governments	196,631	230,920	205,872
	<u>489,495</u>	<u>638,730</u>	<u>483,762</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	895,900	781,818	811,889
Federal Government	170,500	170,473	165,761
Other Local Governments	47,000	-	27,081
	<u>1,113,400</u>	<u>952,291</u>	<u>1,004,731</u>
TOTAL GOVERNMENT TRANSFERS	<u>1,602,895</u>	<u>1,591,021</u>	<u>1,488,493</u>

See accompanying notes to the financial statements



TOWN OF FAIRVIEW
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2016
SCHEDULE 5

	Budget	2016	2015
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	2,352,159	2,267,723	2,182,455
Contracted and general services	820,810	823,720	758,695
Materials, goods, supplies and utilities	2,242,805	2,002,566	1,697,517
Provision for allowances	29,000	6,626	(3,430)
Transfers to local boards and agencies	31,477	34,520	34,007
Bank charges and short term interest	7,500	5,869	5,685
Interest on capital long-term debt	167,044	164,002	186,970
Amortization of tangible capital assets	1,718,830	1,654,180	1,635,104
Other expenses	600,850	592,523	664,741
	<u>7,970,475</u>	<u>7,551,729</u>	<u>7,161,744</u>

See accompanying notes to the financial statements



**TOWN OF FAIRVIEW
 SCHEDULE OF SEGMENTED DISCLOSURE
 FOR THE YEAR ENDED DECEMBER 31, 2016
 SCHEDULE 6**

	General Government	Protective Services	Transportation Services	Community Services	Recreation & Culture	Environmental Services	Other	Total \$
REVENUE								
Net municipal taxes	3,366,880	-	-	-	-	-	-	3,366,880
Government transfers	157,254	1,679	918,935	197,404	242,784	-	72,965	1,591,021
User fees and sales of goods	7,298	-	4,233	-	284,181	2,342,391	-	2,638,103
Investment income	76,546	-	-	-	-	-	-	76,546
Other revenues	515,819	45,159	62,878	500	39,379	-	19,440	683,175
	<u>4,123,797</u>	<u>46,838</u>	<u>986,046</u>	<u>197,904</u>	<u>566,344</u>	<u>2,342,391</u>	<u>92,405</u>	<u>8,355,725</u>
EXPENSES								
Contract & general services	182,122	76,346	64,709	21,155	141,126	332,331	5,931	823,720
Salaries & wages	569,668	64,107	335,419	68,002	715,442	515,085	-	2,267,723
Goods & supplies	146,177	23,880	660,610	15,157	474,800	583,711	98,231	2,002,566
Long term debt interest	-	-	73,397	-	8,199	82,406	-	164,002
Other expenses	86,644	8,515	-	131,677	133,930	262,994	15,778	639,538
	<u>984,611</u>	<u>172,848</u>	<u>1,134,135</u>	<u>235,991</u>	<u>1,473,497</u>	<u>1,776,527</u>	<u>119,940</u>	<u>5,897,549</u>
NET REVENUE BEFORE AMORTIZATION	3,139,186	(126,010)	(148,089)	(38,087)	(907,153)	565,864	(27,535)	2,458,176
Amortization expense	(9,806)	(91,775)	(476,588)	-	(411,912)	(656,513)	(7,586)	(1,654,180)
NET REVENUE	<u>3,129,380</u>	<u>(217,785)</u>	<u>(624,677)</u>	<u>(38,087)</u>	<u>(1,319,065)</u>	<u>(90,649)</u>	<u>(35,121)</u>	<u>803,996</u>



**TOWN OF FAIRVIEW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 Professional 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

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 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, 2016**

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) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

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, 2016**

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:

	YEARS
Buildings	25-50
Engineered structures	
Roadway system	10-100
Water system	45-75
Wastewater system	45-75
Other engineered structures	45-75
Machinery and equipment	4-25
Vehicles	5-25

A full year of the annual amortization is charged in the year of acquisition and none 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, if any, 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, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local boards with respect to outstanding debentures or other long term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

2. CASH AND CASH EQUIVALENTS

	2016 \$	2015 \$
Cash	2,301,655	1,935,286
Temporary investments with stated interest at 1.5%-1.9% per annum	2,475,465	2,469,888
	<u>4,777,120</u>	<u>4,405,174</u>

Temporary investments are short-term deposits with original maturities of six months or less, including accrued interest to year end. Also included are common shares held in the Commonwealth Credit Union.

Included in temporary investments is a restricted amount of \$161,149 (\$160,996 for 2015) which is the Fairview Regional Aquatic Center Endowment Fund. This balance is also included in reserves.

3. TAXES AND GRANTS IN LIEU OF TAXES RECEIVABLES

	2016 \$	2015 \$
Current taxes and grants in lieu of taxes	92,253	189,794
Non-current taxes and grants in lieu	149,552	202,392
Local improvement taxes receivable	1,160,164	1,298,607
Allowance for doubtful accounts	-	(61,664)
	<u>1,401,969</u>	<u>1,629,129</u>

4. INVESTMENTS

	2016		2015	
	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

	2016 \$	2015 \$
Non current debt charges recoverable	<u>165,454</u>	<u>176,696</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
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6. DEFERRED REVENUE	2016	2015
	\$	\$
Deferred grants	240,602	28,881
Other	4,183	4,182
	<u>244,785</u>	<u>33,063</u>
 Deferred Grants:		
Municipal Sustainability Initiative - Capital	20,227	
Other	220,375	
	<u>240,602</u>	

Deferred grants listed above are federal and provincial capital grants and are restricted to eligible capital projects subject to preapproval by the funding agency.

Funding in the amount of \$915,209 was received in the current year from the Municipal Sustainability Initiative. Of the \$915,209 received, \$757,955 is from the capital component of the program and is restricted to eligible capital project, as approved under the funding agreement, of which \$20,227 was not used in 2016. The remaining \$157,254 is from the operating component of the program and is restricted to eligible operating projects, as approved under the funding agreement, which were completed in 2016.

7. LONG-TERM DEBT	2016	2015
	\$	\$
Tax supported debentures	2,272,000	2,845,114
Self supported debentures	1,430,422	1,588,793
Recoverable debentures	165,454	176,696
	<u>3,867,876</u>	<u>4,610,603</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2017	766,620	143,617	910,237
2018	688,050	118,698	806,748
2019	477,146	99,050	576,196
2020	235,704	84,630	320,334
2021	229,116	73,027	302,143
Thereafter	1,471,240	255,617	1,726,857
	<u>3,867,876</u>	<u>774,639</u>	<u>4,642,515</u>

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 1.722% to 6.625% per annum, and matures in years 2016 through 2030. The average annual interest rate is 4.7% (5.0% for 2015).

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

The Town's total cash payments for interest were \$167,510 (\$192,400 for 2015).

The Town did not obtain any new debentures in 2016 or 2015.



TOWN OF FAIRVIEW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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>2016</u>	<u>2015</u>
	\$	\$
Total debt limit	<u>11,102,901</u>	11,519,942
Total debt	<u>3,867,876</u>	4,610,603
Amount of debt limit unused	<u>7,235,025</u>	<u>6,909,339</u>
Debt servicing limit	<u>1,850,484</u>	1,919,990
Total debt payments	<u>910,237</u>	910,237
Amount of debt servicing limit unused	<u>940,247</u>	<u>1,009,753</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>2016</u>	<u>2015</u>
	\$	\$
Tangible capital assets (Schedule 2)	<u>60,258,358</u>	58,780,585
Accumulated amortization (Schedule 2)	<u>(23,268,042)</u>	(21,788,588)
Long-term debt (Note 7)	<u>(3,867,876)</u>	(4,610,603)
Debt charges recoverable (Note 5)	<u>165,454</u>	176,696
	<u>33,287,894</u>	<u>32,558,090</u>



**TOWN OF FAIRVIEW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

10. ACCUMULATED SURPLUS

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

	<u>2016</u>	<u>2015</u>
	\$	\$
Unrestricted surplus (deficit)	605,122	600,412
Restricted surplus	5,374,109	5,304,627
Equity intangible capital assets	33,287,894	32,558,090
	<u>39,267,125</u>	<u>38,463,129</u>

Council has set aside funds as an internal allocation of accumulated surplus to restricted operating and capital reserves as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Operating Reserves		
Economic Development	-	50,400
FCSS	5,766	17,863
Fire department	126,063	179,913
General Operating	42,916	73,796
Handi Bus	18,000	13,000
Local Improvements	1,160,164	1,298,608
Mill Rate Stabilization	164,000	126,000
Resource Centre	8,130	8,130
Capital Reserves		
Community Services	327,419	260,995
Fire department/emergency mgmt	137,907	127,907
General Capital	2,071,989	1,748,855
Off Site Water Plant	102,891	102,891
Public Works	670,207	713,788
Streets	14,105	14,105
Swimming Pool Endowment Fund	161,149	160,996
Town Revitalization	128,681	172,658
Water Treatment Plant	234,722	234,722
	<u>5,374,109</u>	<u>5,304,627</u>



**TOWN OF FAIRVIEW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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:

	2016		2015	
	\$		\$	
	Salary ¹	Benefits & allowances ²	Total	Total
Councillors				
Gordon MacLeod	16,132	-	16,132	14,773
Larry Chorney	10,526	-	10,526	9,853
Tim Schindel	10,278	-	10,278	8,934
Dennis Radbourne	9,432	-	9,432	9,372
Owen Stanford	10,257	3,844	14,101	13,607
Paul Buck	9,995	-	9,995	8,734
Peter Robertson	10,188	-	10,188	10,297
CAO	111,739	22,829	134,568	125,762
Designated Officers (2 positions)	167,999	34,161	202,160	215,811

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.



**TOWN OF FAIRVIEW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 238,000 people and 420 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 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 Town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 15.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP were \$175,981 (\$173,153 for 2015). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan were \$161,685 (\$159,057 for 2015).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million.

13. COMMITMENTS

The Town has various contracts in place that are all in the ordinary course of operations.

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.

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, 2016**

16. SEGMENTED DISCLOSURE

The Town of Fairview provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.
