

TOWN OF FALHER

Financial Statements

For the Year Ended December 31, 2012

TOWN OF FALHER
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council
TOWN OF FALHER

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of TOWN OF FALHER, which comprise the statement of financial position as at December 31, 2012, and the statements of operations, change in net financial assets (debt) 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 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.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 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 FALHER as at December 31, 2012 and the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Falher, Alberta
April 15, 2013


CERTIFIED GENERAL ACCOUNTANTS

TOWN OF FALHER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2012

	2012	2011
	\$	Restated \$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	2,527,334	1,821,424
Receivables		
Taxes and grants in place of taxes (Note 3)	146,239	140,766
From other governments	26,169	34,824
Trade and other (Note 17)	145,778	146,311
Land held for resale inventory	-	-
Investments (Note 4)	746,782	1,250,576
Debt charge recoverable (Note 5)	116,921	130,063
	3,709,223	3,523,964
LIABILITIES		
Accounts payable and accrued liabilities (Note 17)	150,207	222,635
Deposit liabilities	48,844	46,334
Deferred revenue (Note 6)	334,760	295,924
Employee benefit obligations (Note 7)	49,558	41,822
Long-term debt (Note 8)	549,669	586,804
	1,133,038	1,193,519
NET FINANCIAL ASSETS (DEBT)		
	2,576,185	2,330,445
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	9,931,851	10,095,153
Inventory for consumption	5,915	2,944
Prepaid expenses	5,443	3,435
	9,943,209	10,101,532
ACCUMULATED SURPLUS (Schedule 1 and Note 12)		
	12,519,394	12,431,977

Commitments and contingencies - See Notes 15 and 16

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER
CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended December 31, 2012

	Budget (Unaudited)	2012	2011 Restated
	\$	\$	\$
REVENUE			
Net municipal taxes (Schedule 3)	1,019,589	1,018,444	1,015,416
User fees and sales of goods	845,460	963,860	859,948
Government transfers for operating (Schedule 4)	379,225	325,566	440,135
Penalties and costs on taxes	10,000	11,135	10,579
Franchise and concession contracts	90,000	98,906	93,187
Investment income	35,000	44,689	58,408
Licenses and permits	3,350	4,760	3,965
Rentals	141,550	145,305	142,672
Drawn from allowances	-	-	-
Gain on disposal of tangible capital assets	-	1,400	-
Other revenues	80,357	98,369	100,738
Total Revenue	2,604,531	2,712,434	2,725,048
EXPENSES			
Council and other legislative	53,115	44,748	60,396
General administration	386,020	352,539	333,432
Fire fighting and protective services	69,800	60,954	62,192
By-law enforcement	900	68	120
Common services	193,478	206,757	185,473
Roads, streets, walks, lighting	399,354	376,433	350,997
Airport	18,420	18,421	15,190
Storm sewers and drainage	34,430	18,585	15,597
Water supply and distribution	539,517	598,055	525,769
Wastewater treatment and disposal	125,544	122,756	153,815
Waste management	96,231	96,601	76,569
Family and community support services	210,359	212,765	238,928
Physician recruitment	9,037	9,282	7,915
Cemetery	11,930	7,194	3,429
Land use planning, zoning and development	-	-	-
Economic development and community services	69,408	61,985	67,293
Subdivision land and development	500	250	11,496
Parks and recreation	641,732	641,885	566,187
Culture: library	23,003	21,969	86,753
Total Expenses	2,882,778	2,851,247	2,761,551
EXCESS (SHORTFALL) OF REVENUE OVER			
EXPENSES - BEFORE OTHER	(278,247)	(138,813)	(36,503)
OTHER			
Contributed assets	-	-	-
Transfer to other local government for capital	-	-	-
Organization transfers for capital	-	-	-
Government transfers for capital (Schedule 4)	325,000	226,230	567,950
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	46,753	87,417	531,447
ACCUMULATED SURPLUS, BEGINNING OF YEAR	12,431,977	12,431,977	11,900,530
ACCUMULATED SURPLUS, END OF YEAR	12,478,730	12,519,394	12,431,977

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

For the Year Ended December 31, 2012

	Budget (Unaudited)	2012	2011 Restated
	\$	\$	\$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	46,753	87,417	531,447
Acquisition of tangible capital assets	(402,250)	(269,734)	(623,477)
Contributed tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	-	(16,839)	-
Amortization of tangible capital assets	394,394	398,338	394,394
(Gain) loss on sale of tangible capital assets	10,000	51,537	27,390
	2,144	163,302	(201,693)
Acquisition of supplies inventories	(65,350)	(71,193)	(57,709)
Acquisition of prepaid assets	(40,355)	(46,778)	(34,398)
Use of supplies inventories	65,350	68,222	57,709
Use of prepaid assets	40,355	44,770	35,123
	-	(4,979)	725
INCREASE (DECREASE) IN NET ASSETS	48,897	245,740	330,479
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	2,330,445	2,330,445	1,999,966
NET FINANCIAL ASSETS (DEBT), END OF YEAR	2,379,342	2,576,185	2,330,445

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012

	2012	2011
	\$	Restated \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	87,417	531,447
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	398,338	394,394
Gain (loss) on disposal of tangible capital assets	51,537	27,390
Tangible capital assets received as contributions	-	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(5,473)	(10,138)
Decrease (increase) in from other government receivables	8,655	(23,519)
Decrease (increase) in trade and other receivables	533	19,554
Decrease (increase) in land held for resale	-	-
Decrease (increase) in inventory of materials and supplies	(2,971)	-
Decrease (increase) in prepaid expenses	(2,008)	725
Increase (decrease) in accounts payable and accrued liabilities	(72,428)	111,447
Increase (decrease) in deposit liabilities	2,510	1,455
Increase (decrease) in deferred revenue	38,836	(455,232)
Increase (decrease) in employee benefit obligations	7,736	3,472
Cash provided by operating transactions	<u>512,682</u>	<u>600,995</u>
CAPITAL		
Acquisition of tangible capital assets	(269,734)	(623,477)
Sale of tangible capital assets	(16,839)	-
Cash provided by (applied to) capital transactions	<u>(286,573)</u>	<u>(623,477)</u>
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	209	450,291
Decrease (increase) in investments	503,794	211,541
Cash provided by (applied to) investing transactions	<u>504,003</u>	<u>661,832</u>
FINANCING		
Debt charges recoverable	13,142	12,397
Long-term debt issued	-	-
Long-term debt repaid	(37,135)	(35,302)
Cash provided by (applied to) financing transactions	<u>(23,993)</u>	<u>(22,905)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	706,119	616,445
CASH AND CASH EQUIVALENTS (SHORTAGE), BEGINNING OF YEAR	1,526,603	910,158
CASH AND CASH EQUIVALENTS (SHORTAGE), END OF YEAR	2,232,722	1,526,603
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	2,527,334	1,821,424
Less: restricted portion of cash and temporary investments (Note 2)	(294,612)	(294,821)
	<u>2,232,722</u>	<u>1,526,603</u>

See accompanying schedules and notes to the financial statements.

Schedule 1

**TOWN OF FALHER
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS**

For the Year Ended December 31, 2012

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2012 \$	2011 Restated \$
BALANCE, BEGINNING OF YEAR	196,993	2,596,572	9,638,412	12,431,977	11,900,530
Excess (deficiency) of revenues over expenses	87,417	-	-	87,417	531,447
Unrestricted funds designated for future use	(324,805)	324,805	-	-	-
Restricted funds used for operations	80,503	(80,503)	-	-	-
Restricted funds used for tangible capital assets	-	(18,200)	18,200	-	-
Current year funds used for tangible capital assets	(251,534)	-	251,534	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	34,698	-	(34,698)	-	-
Annual amortization expense	398,338	-	(398,338)	-	-
Capital long-term debt repaid	(23,993)	-	23,993	-	-
CHANGE IN ACCUMULATED SURPLUS	624	226,102	(139,309)	87,417	531,447
BALANCE, END OF YEAR	197,617	2,822,674	9,499,103	12,519,394	12,431,977

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

Schedule 2

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2012

	Land	Land	Land	Engineered	Machinery and	Vehicles	2012	2011
	Improvements	Buildings	Structures	Equipment				Restated
	\$	\$	\$	\$	\$	\$	\$	\$
COST:								
BALANCE, BEGINNING OF YEAR	339,800	286,484	5,626,671	12,747,059	608,560	207,119	19,815,693	19,544,633
Acquisition of tangible capital assets	-	27,054	-	214,267	28,413	-	269,734	623,477
Construction-in-progress	-	-	-	-	-	-	-	-
Disposal of tangible capital assets	-	-	(40,000)	(78,372)	(14,500)	(15,841)	(148,713)	(352,417)
Write down of tangible capital assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	339,800	313,538	5,586,671	12,882,954	622,473	191,278	19,936,714	19,815,693
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	224,990	1,193,175	7,717,731	474,334	110,310	9,720,540	9,651,173
Annual amortization	-	7,223	113,686	217,197	46,056	14,176	398,338	394,394
Accumulated amortization on disposals	-	-	(28,800)	(54,874)	(14,500)	(15,841)	(114,015)	(325,027)
BALANCE, END OF YEAR	-	232,213	1,278,061	7,880,054	505,890	108,645	10,004,863	9,720,540
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	339,800	81,325	4,308,610	5,002,900	116,583	82,633	9,931,851	10,095,153
2011 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS (Restated)	339,800	61,494	4,433,496	5,029,328	134,226	96,809	10,095,153	

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

Schedule 3

SCHEDULE OF PROPERTY AND OTHER TAXES

For the Year Ended December 31, 2012

	Budget (Unaudited)	2012	2011
	\$	\$	\$
TAXATION			
Real property taxes	1,128,203	1,127,058	1,107,587
Linear property taxes	44,815	44,815	44,495
Government grants in place of property taxes	56,766	56,766	56,377
Special assessments and local improvement taxes	3,836	3,836	3,836
	1,233,620	1,232,475	1,212,295
REQUISITIONS			
Alberta School Foundation Fund	202,152	202,152	185,056
Heart River Seniors Foundation	11,879	11,879	11,823
	214,031	214,031	196,879
NET MUNICIPAL TAXES	1,019,589	1,018,444	1,015,416

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

Schedule 4

SCHEDULE OF GOVERNMENT TRANSFERS

For the Year Ended December 31, 2012

	Budget (Unaudited)	2012	2011
	\$	\$	\$
TRANSFERS FOR OPERATING			
Federal Government	4,600	4,427	4,088
Provincial Government - conditional	316,331	276,352	390,495
- unconditional	-	-	-
Local Government	58,294	44,787	45,552
	379,225	325,566	440,135
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	325,000	226,230	567,950
Local Government	-	-	-
	325,000	226,230	567,950
TOTAL GOVERNMENT TRANSFERS	704,225	551,796	1,008,085

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

Schedule 5

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT

For the Year Ended December 31, 2012

	Budget (Unaudited)	2012	2011 Restated
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	771,880	737,851	714,748
Contracted and general services	757,580	642,190	551,971
Materials, goods and utilities (Note 17)	752,550	825,866	816,421
Provision for allowance	-	-	-
Transfer to other governments	46,000	45,993	45,079
Transfers to local boards and agencies	36,920	36,477	31,582
Transfers to individuals and organizations	45,288	51,460	117,705
Bank charges and short-term interest	200	28	160
Interest on long-term debt (Note 8)	29,266	28,609	30,464
Amortization of tangible capital assets	394,394	398,338	394,394
Loss on disposal of tangible capital assets	10,000	52,937	27,390
Other expenditures	38,700	31,498	31,637
	2,882,778	2,851,247	2,761,551

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

SCHEDULE OF SEGMENTED DISCLOSURE

For the Year Ended December 31, 2012

Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation Culture	Other	Total 2012
	\$	\$	\$	\$	\$	\$	\$
REVENUE							
Net municipal taxes	1,018,444	-	-	-	-	-	1,018,444
User fees and sales of goods	30,458	3,025	39,799	768,585	103,731	18,262	963,860
Government transfers for operating	-	-	2,170	-	131,136	192,260	325,566
Penalties and costs on taxes	11,135	-	-	-	-	-	11,135
Franchise and concession contracts	98,906	-	-	-	-	-	98,906
Licenses and permits	970	3,790	-	-	-	-	4,760
Investment income	42,043	-	2,393	-	253	-	44,689
Rentals	1,000	20,168	-	-	114,120	10,017	145,305
Drawn from allowances	-	-	-	-	-	-	-
Gain on disposal of tangible capital assets	-	-	200	-	1,200	-	1,400
Other revenues	12,762	15	-	1,154	67,558	16,880	98,369
	1,215,718	26,998	44,562	769,739	417,998	237,419	2,712,434
EXPENSES							
Salaries, wages and benefits	236,822	2,048	179,060	54,813	115,361	149,747	737,851
Contracted and general services	98,818	2,194	130,251	137,555	194,323	79,049	642,190
Purchases from other governments	-	-	-	-	-	-	-
Materials, goods and utilities	24,332	8,189	104,320	511,454	172,758	4,813	825,866
Provision for allowance	-	-	-	-	-	-	-
Transfers to other governments	-	45,993	-	-	-	-	45,993
Transfers to local boards and agencies	-	-	18,421	-	-	18,056	36,477
Transfers to individuals and organizations	-	-	-	-	19,105	32,355	51,460
Bank charges and short-term interest	8	-	-	-	-	20	28
Interest on long-term debt (Note 8)	-	-	-	9,128	17,726	1,755	28,609
Other expenditures	30,911	-	-	587	-	-	31,498
Loss on disposal of tangible capital assets	-	-	23,498	-	-	29,439	52,937
	390,891	58,424	455,550	713,537	519,273	315,234	2,452,909
Net revenue before amortization and transfers for capital	824,827	(31,426)	(410,988)	56,202	(101,275)	(77,815)	259,525
Amortization	(6,395)	(2,600)	(164,644)	(103,876)	(115,142)	(5,681)	(398,338)
Transfer to local government for capital	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-
Government transfers for capital	-	-	153,921	52,451	-	19,858	226,230
NET REVENUE (SHORTFALL)	818,432	(34,026)	(421,711)	4,777	(216,417)	(63,638)	87,417

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the TOWN OF FALHER 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 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 reporting 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 the administration of their financial affairs and resources. Included with the municipality are the following:

Smoky River F.C.S.S.
Smoky River Regional Committee

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 FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES - CON'T

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) Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments 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.

f) Requisition Over-levy and Under-levy

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 a property tax revenue.

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

g) 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 their respective function.

h) 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 collectible 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.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES - CON'T

i) 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.

j) 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
Land improvements	15-25
Buildings	25-50
Engineered structures	
Water system	45-75
Wastewater system	45-75
Other engineered structures	20-40
Machinery and equipment	10-30
Vehicles	10

Annual amortization is charged in the year of acquisition and no amortization is charged 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.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

2. CASH AND TEMPORARY INVESTMENTS

	2012	2011
	\$	\$
Cash	110	110
Current bank accounts	211,454	174,098
Savings - public recreation reserve	-	1,774
Savings - other	13	203
Temporary investments - term deposits	2,315,757	1,645,239
	2,527,334	1,821,424

Temporary investments are short-term deposits which mature or can be redeemed within three months or less after December 31.

Included in temporary investments is a restricted amount of \$294,612 (2011: \$293,047) received from the provincial and federal government and held exclusively for specific projects. Interest earned of \$0 (2011: \$0) on unspent provincial funds is also restricted as per funding agreements and must be spent on the related specific projects.

The recreation land reserve of \$1,792 (2011: \$1,774) is externally restricted.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2012	2011
	\$	\$
Current taxes and grants in place of taxes	24,201	26,118
Arrears taxes	160,937	153,547
	185,138	179,665
Less: Allowance for doubtful accounts	38,899	38,899
	146,239	140,766

4. INVESTMENTS

	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Short-term deposits (A.T.B.)	-	-	510,288	510,288
Short-term deposit (B.M.O)	409,583	409,583	409,583	409,583
Short-term deposit (Horizon C.U.))	327,551	327,551	321,122	321,122
AMFC share	10	10	10	10
Equity in A.A.M.D.&C.	291	291	291	291
Equity held in Caisse Horizon	6,594	6,594	6,529	6,529
Equity held in Falher Co-op	2,753	2,753	2,753	2,753
	746,782	746,782	1,250,576	1,250,576

Term deposits (B.M.O.) have a guaranteed minimum rate of return of 1.00% over a 2 year period and mature on June 10, 2013 and September 9, 2013.

Term deposit (Horizon Credit Union) has an effective interest rate of 1.4% and matures on August 26, 2013.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

5. DEBT CHARGES RECOVERABLE

	2012	2011
	\$	\$
Current debt charges recoverable	13,929	13,141
Non-current debt charges recoverable	102,992	116,922
	116,921	130,063

As of January 1, 2007 the town has transferred all of its water supply and treatment plant assets to the Smoky River Water Management Commission. The commission in turn agreed to pay all remaining principal and interest (6.0%) payments on the water supply line and treatment debenture which matures on July 15, 2019.

	Principal	Interest	Total
2013	13,929	7,015	20,944
2014	14,765	6,180	20,945
2015	15,651	5,294	20,945
2016	16,590	4,355	20,945
2017	17,586	3,359	20,945
2018 to maturity	38,400	3,489	41,889
	116,921	29,692	146,613

6. DEFERRED REVENUE

	2012	2011
	\$	\$
Provincial government transfers		
Alberta Municipal Infrastructure	-	119,143
Federal Gas Tax Fund	25,503	28,224
Municipal Sustainability Initiative	228,753	145,680
Basic Municipal Transportation	40,356	-
	294,612	293,047
Interest earned on deferred government transfers	-	-
Prepaid property tax revenue	3,331	-
Prepaid business licenses	3,575	-
Prepaid rental	15,347	347
Restricted donations	17,895	2,530
Requisition over-levy	-	-
	334,760	295,924

Provincial, federal and interest funding as per above \$294,612 remains unspent at year-end. The use of these funds is restricted to eligible projects as approved under the funding agreements. Unexpended funds related to the advances are supported by temporary investments of \$2,315,757 held exclusively for these projects (refer Note 2).

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

7. EMPLOYEE BENEFIT OBLIGATIONS

	2012	2011
	\$	\$
Vacation and overtime	49,558	41,822

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

8. LONG-TERM DEBT

	2012	2011
	\$	\$
Bank loan	33,317	34,532
Debentures:		
Supported by general tax levies	373,338	393,975
Supported by special levies	26,092	28,234
Supported by debt charges recoverable	116,922	130,063
Supported by utility rates	-	-
	549,669	586,804
Current portion of long-term debt	39,075	37,140

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2013	39,075	27,080	66,155
2014	41,112	25,043	66,155
2015	43,258	22,897	66,155
2016	45,517	20,638	66,155
2017	47,896	18,259	66,155
Thereafter	332,811	66,620	399,431
	549,669	180,537	730,206

The bank loan represents the town's 16.5% share of the mortgage used to purchase a residential property for physician recruitment. The town's share of the bank loan is repayable in monthly instalments of \$248 including principal and interest at 5.15% maturing in October 2029. The Alberta Treasury Branch mortgage is secured by residential property located in the Town of McLennan.

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 4.569% to 6.0% per annum and matures in periods 2019 to 2025. The average annual interest rate is 4.94% for 2012 (4.85% for 2011). Debenture debt is issued on the credit and security of the Town of Falher at large.

Interest on long-term debt amounted to \$28,609 (2011 - \$30,464).

The town's total cash payments for interest in 2012 were \$29,020 (2011 - \$30,583)

TOWN OF FALHER**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2012

9. 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 Falher be disclosed as follows:

	2012	2011
	\$	\$
Total debt limit	4,069,651	4,087,572
Total debt	432,748	456,741
Amount of debt limit unused	3,635,903	3,630,831
Debt servicing limit	678,109	681,262
Debt servicing	45,211	45,210
Amount of debt servicing above limit	632,898	636,052

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.

10. TANGIBLE CAPITAL ASSETS

Net Book Value	2012	2011
		Restated
	\$	\$
Land	339,800	339,800
Land improvements	81,325	61,494
Buildings	4,308,610	4,433,496
Engineered Structures		
Roadway system	1,465,774	1,430,003
Storm sewer system	654,253	666,326
Water distribution system	1,670,723	1,654,449
Wastewater treatment system	1,212,150	1,278,550
Machinery and equipment	116,583	134,226
Vehicles	82,633	96,809
	9,931,651	10,095,153

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2012	2011
		Restated
	\$	\$
Tangible capital assets (Schedule 1)	19,936,714	19,815,693
Accumulated amortization (Schedule 1)	(10,004,863)	(9,720,540)
Long-term debt (Note 9)	(549,669)	(586,804)
Debt charges recoverable (Note 5)	116,921	130,063
	9,499,103	9,638,412

TOWN OF FALHER**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2012

12. ACCUMULATED SURPLUS

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

	2012	2011 Restated
	\$	\$
Unrestricted surplus (deficit)	197,617	196,993
Restricted surplus		
Council	15,500	7,500
Administration	101,000	96,000
Fire services (operations)	67,000	56,000
Ambulance and first aid	64,289	66,171
Roads and streets	240,217	188,217
By-law enforcement	2,000	-
Wastewater operations	46,841	31,698
Waste management	81,603	85,560
Water supply and distribution (operations)	319,307	275,162
F.C.S.S.	56,489	57,681
Cemetery	13,574	21,467
Planning, subdivision and development	27,000	23,000
Community services and physician recruitment	82,700	41,400
Recreation (facilities operations)	187,000	128,000
Library operations	13,000	3,000
Contingency (mill rate stabilization)	636,282	693,862
Administration (capital)	25,731	20,731
Fire services (capital)	116,604	116,604
Common services (equipment replacement)	25,000	15,000
Roads and streets (capital projects)	162,490	147,490
Storm sewers and drainage (capital projects)	22,471	12,471
Water distribution (capital)	225,426	215,426
Wastewater (capital)	74,484	74,484
Waste management (capital)	71,609	71,609
Recreation (capital)		
- park equipment	34,089	28,889
- wading pool	21,800	40,000
- swimming pool	10,000	10,000
- recreation programs	55,000	55,000
- campground	7,376	2,376
- public land reserve	1,792	1,774
Library (capital)	15,000	10,000
Equity in tangible capital assets	9,499,103	9,638,412
	12,519,394	12,431,977

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

13. 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:

	Salary(1)	Benefits & Allowances(2)	2012 Total	2011 Total
Mayor:				
TARDIF, Margaret	10,300	167	10,467	11,950
Councillors:				
BEAUDOIN, Guy	4,250	31	4,281	5,973
BUCHINSKI, Donna	7,400	93	7,493	10,828
CHAPADOS, David	-	-	-	750
DUBE, Philippe	4,600	18	4,618	3,875
LEFEBVRE, Ronald	750	-	750	4,552
PRIMEAU, Sandra	3,975	88	4,063	1,834
TURCOTTE, Fernand	2,200	-	2,200	5,125
	33,475	397	33,872	44,887
Chief Administrative Officer:				
PARKER, Adele	71,800	13,142	84,942	73,804
	105,275	13,539	118,814	118,691

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

2) For mayor and councillors, benefits and allowances consists of travel and general non-accountable expense allowances. For chief administrative officer, benefits and allowances consists of employer's share of Canada pension plan, employment insurance, registered retirement savings plan contributions, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance and long and short-term disability plans made on behalf of the employee.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

14. GOVERNMENT PARTNERSHIP

A Co-Owners agreement between the Village of Donnelly, Village of Girouxville, Town of Falher, Town of McLennan and the Municipal District of Smoky River #130 was made the 26th day of August, 2009. The land title is registered in the trustee's name (Town of McLennan) as specified in the declaration of trust. The co-owners venture operates under the name of Smoky River Regional Committee. The primary purpose of this agreement is to provide and maintain a building in McLennan to rent a residential dwelling to doctors and their family. This investment is accounted for by the proportionate consolidation method. The following information was taken from the December 31, 2009 audited financial statement:

	2012	2011
	\$	\$
Share of assets (16.5%)	51,464	51,828
Share of liabilities (16.5%)	(35,751)	(35,985)
	15,713	15,843
Total revenues	25,200	21,200
Total expenditures	(25,987)	(21,146)
	(787)	54
Share of deficit for the year ended December 31 (16.5%)	(130)	9

15. CONTINGENCIES

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

16. COMMITMENTS

The Town of Falher is committed to make quarterly lease payments of \$210 plus G.S.T. as per a 2011 Neopost office equipment lease. The agreement will expire in November, 2016. Total payments remaining including G.S.T. as of December 31, 2012 equal \$3,305.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

17. RELATED PARTY TRANSACTIONS

The Town of Falher is a member of the Smoky River Regional Water Management Commission and the Smoky River Regional Waste Management Commission and, as such, these commissions have been identified as related parties.

As per note 5, debt charges recoverable, the Smoky River Regional Water Management Commission has assumed remaining payments of the \$116,922 (2011: \$130,063) debenture plus interest. During the year, the Town of Falher paid \$499,847 (2011: \$446,343) to the Smoky River Regional Water Management Commission for the purchase of water. A total amount of \$3,200 (2011: \$3,000) was received from the commission for administration services provided by the town. The trade accounts receivable include \$235 (2011: \$274) which is due from the commission. Included in the town's accounts payable is an amount of \$41,673 (2011: \$35,258) due to the commission for the purchase of water consumed in December.

During the year, the Town of Falher paid \$92,617 (2011: \$56,863) to the Smoky River Regional Waste Management Commission for waste collection services and tipping fees. A total amount of \$9,800 (2011: \$9,300) was received from the commission for administration services provided by the town. Other amounts totalling \$39,449 (2011: \$31,338) were received by the Town of Falher from the commission for labor and equipment services. The trade accounts receivable include \$6,232 (2011: \$3,744) which is due from the commission. Included in the town's accounts payable is an amount of \$6,348 (2011: \$4,763) due to the commission for December collection services.

These transactions were made in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

18. FINANCIAL INSTRUMENTS

The town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, 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 FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

20. PRIOR PERIOD ADJUSTMENTS

The town has restated its financial statements due a correction in the calculation of amortization of road engineering structures for 2011 and the reversal of a deletion of a road engineering structure asset. These adjustments are as follows:

	2011
	\$
Adjustments to opening accumulated surplus:	
As previously reported December 31, 2011	12,399,406
Adjustment to net book value of tangible capital assets Dec. 31, 2011	32,571
As restated January 1, 2012	12,431,977
	2011
	\$
Adjustments to excess of revenues over expenses:	
As previously reported December 31, 2011	498,876
Decrease in annual amortization expense	32,571
As restated December 31, 2011	531,447
	2011
	\$
Adjustments to tangible capital assets:	
As previously reported December 31, 2011	10,062,582
Adjustment to historical cost of tangible capital assets	22,871
Adjustment to accumulated amortization	9,700
As restated December 31, 2011	10,095,153

20. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.