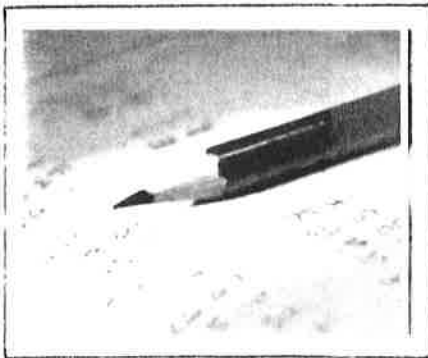


SYLVAIN & DORAN
Certified General Accountants

TOWN OF FALHER

Financial Statements

For the Year Ended December 31, 2013



Leaders in Business

TOWN OF FALHER
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013

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SYLVAIN & DORAN

Certified General Accountants

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INDEPENDENT AUDITORS' 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, 2013, 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, 2013 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 14, 2014


CERTIFIED GENERAL ACCOUNTANTS

TOWN OF FALHER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2013

	2013	2012
		Restated
FINANCIAL ASSETS	\$	\$
Cash and temporary investments (Note 2)	208,994	1,216,816
Receivables		
Taxes and grants in place of taxes (Note 3)	148,829	146,239
From other governments	12,541	26,169
Trade and other (Note 17)	122,295	145,778
Land held for resale inventory	13,429	-
Investments (Note 4)	3,298,449	2,057,300
Debt charge recoverable (Note 5)	102,992	116,921
	3,907,529	3,709,223
LIABILITIES		
Accounts payable and accrued liabilities (Note 17)	119,858	150,207
Deposit liabilities	53,580	48,844
Deferred revenue (Note 6)	320,939	334,760
Employee benefit obligations (Note 7)	54,254	49,558
Long-term debt (Note 8)	478,562	549,669
	1,027,193	1,133,038
NET FINANCIAL ASSETS (DEBT)	2,880,336	2,576,185
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	9,989,125	9,931,851
Inventory for consumption	5,915	5,915
Prepaid expenses	3,812	5,443
	9,998,852	9,943,209
ACCUMULATED SURPLUS (Schedule 1 and Note 12)	12,879,188	12,519,394

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, 2013

	Budget (Unaudited)	2013	2012 Restated
	\$	\$	\$
REVENUE			
Net municipal taxes (Schedule 3)	1,055,741	1,050,670	1,018,444
User fees and sales of goods	967,752	893,719	963,860
Government transfers for operating (Schedule 4)	519,626	464,309	325,566
Penalties and costs on taxes	10,000	15,452	11,135
Franchise and concession contracts	95,000	107,061	98,906
Investment income	35,000	44,385	44,689
Licenses, permits and fines	12,060	10,696	4,760
Rentals	139,000	134,954	145,305
Drawn from allowances	-	-	-
Gain on disposal of tangible capital assets	-	-	1,400
Other revenues	44,586	88,438	98,369
Total Revenue	2,878,765	2,809,684	2,712,434
EXPENSES			
Council and other legislative	56,550	53,221	44,748
General administration	403,337	389,913	352,539
Fire fighting and protective services	86,900	76,805	60,954
By-law enforcement	6,460	5,796	68
Common services	192,318	167,577	206,757
Roads, streets, walks, lighting	411,144	405,881	376,433
Airport	19,360	19,360	18,421
Storm sewers and drainage	37,167	25,892	18,585
Water supply and distribution	670,289	532,895	598,055
Wastewater treatment and disposal	205,759	201,726	122,756
Waste management	97,380	96,739	96,601
Family and community support services	206,438	224,545	212,765
Physician recruitment	7,400	11,588	9,282
Cemetery	8,830	6,233	7,194
Land use planning, zoning and development	-	-	-
Economic development and community services	92,933	119,346	61,985
Subdivision land and development	8,500	-	250
Parks and recreation	660,115	580,313	641,885
Culture: library	23,587	22,201	21,969
Total Expenses	3,194,467	2,940,031	2,851,247
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(315,702)	(130,347)	(138,813)
OTHER			
Contributed assets	-	-	-
Transfer to other local government for capital	-	-	-
Organization transfers for capital	13,800	10,344	-
Government transfers for capital (Schedule 4)	745,075	479,797	226,230
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	443,173	359,794	87,417
ACCUMULATED SURPLUS, BEGINNING OF YEAR	12,519,394	12,519,394	12,431,977
ACCUMULATED SURPLUS, END OF YEAR	12,962,567	12,879,188	12,519,394

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, 2013

	Budget (Unaudited)	2013	2012 Restated
	\$	\$	\$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	443,173	359,794	87,417
Acquisition of tangible capital assets	(786,875)	(541,214)	(269,734)
Contributed tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	-	44,496	(16,839)
Amortization of tangible capital assets	423,456	414,632	398,338
(Gain) loss on sale of tangible capital assets	-	24,812	51,537
	(363,419)	(57,274)	163,302
Acquisition of supplies inventories	(62,824)	(62,934)	(71,193)
Acquisition of prepaid assets	(41,223)	(39,413)	(46,778)
Use of supplies inventories	62,824	62,934	68,222
Use of prepaid assets	41,223	41,044	44,770
	-	1,631	(4,979)
INCREASE (DECREASE) IN NET ASSETS	79,754	304,151	245,740
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	2,576,185	2,576,185	2,330,445
NET FINANCIAL ASSETS (DEBT), END OF YEAR	2,655,939	2,880,336	2,576,185

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2013

	2013	2012
	\$	Restated \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	359,794	87,417
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	414,632	398,338
Gain (loss) on disposal of tangible capital assets	24,812	51,537
Tangible capital assets received as contributions	-	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(2,590)	(5,473)
Decrease (increase) in from other government receivables	13,628	8,655
Decrease (increase) in trade and other receivables	23,483	533
Decrease (increase) in land held for resale	(13,429)	-
Decrease (increase) in inventory of materials and supplies	-	(2,971)
Decrease (increase) in prepaid expenses	1,631	(2,008)
Increase (decrease) in accounts payable and accrued liabilities	(30,349)	(72,428)
Increase (decrease) in deposit liabilities	4,736	2,510
Increase (decrease) in deferred revenue	(13,821)	38,836
Increase (decrease) in employee benefit obligations	4,696	7,736
Cash provided by operating transactions	<u>787,223</u>	<u>512,682</u>
CAPITAL		
Acquisition of tangible capital assets	(541,214)	(269,734)
Sale of tangible capital assets	44,496	(16,839)
Cash provided by (applied to) capital transactions	<u>(496,718)</u>	<u>(286,573)</u>
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	(4,378)	(19,478)
Decrease (increase) in investments	(1,241,149)	(656,724)
Cash provided by (applied to) investing transactions	<u>(1,245,527)</u>	<u>(676,202)</u>
FINANCING		
Debt charges recoverable	13,929	13,142
Long-term debt issued	-	-
Long-term debt repaid	(71,107)	(37,135)
Cash provided by (applied to) financing transactions	<u>(57,178)</u>	<u>(23,993)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(1,012,200)	(474,086)
CASH AND CASH EQUIVALENTS (SHORTAGE), BEGINNING OF YEAR	902,517	1,376,603
CASH AND CASH EQUIVALENTS (SHORTAGE), END OF YEAR	(109,683)	902,517
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	208,994	1,216,816
Less: restricted portion of cash and temporary investments (Note 2)	(318,677)	(314,299)
	<u>(109,683)</u>	<u>902,517</u>

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

Schedule 1

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

For the Year Ended December 31, 2013

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2013	2012
	\$	\$	\$	\$	Restated
BALANCE, BEGINNING OF YEAR	197,617	2,822,674	9,499,103	12,519,394	12,431,977
Excess (deficiency) of revenues over expenses	359,794	-	-	359,794	87,417
Unrestricted funds designated for future use	(364,605)	364,605	-	-	-
Restricted funds used for operations	107,027	(107,027)	-	-	-
Restricted funds used for tangible capital assets	-	(13,000)	13,000	-	-
Current year funds used for tangible capital assets	(528,214)	-	528,214	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	69,308	-	(69,308)	-	-
Annual amortization expense	414,632	-	(414,632)	-	-
Capital long-term debt repaid	(57,178)	-	57,178	-	-
CHANGE IN ACCUMULATED SURPLUS	764	244,578	114,452	359,794	87,417
BALANCE, END OF YEAR	198,381	3,067,252	9,613,555	12,879,188	12,519,394

See accompanying schedules and notes to the financial statements.

Schedule 2

**TOWN OF FALHER
SCHEDULE OF TANGIBLE CAPITAL ASSETS**

For the Year Ended December 31, 2013

	Land		Land Improvements		Buildings		Engineered Structures		Machinery and Equipment		Vehicles		2013		2012		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	Restated	
COST:																	
BALANCE, BEGINNING OF YEAR	339,800	313,538	5,586,671	12,882,954	622,473	191,278	19,936,714	19,815,693									
Acquisition of tangible capital assets	-	37,056	-	480,524	-	22,824	540,404	269,734									
Construction-in-progress	-	-	-	810	-	-	810	-									
Disposal of tangible capital assets	(9,900)	(16,446)	(43,118)	(260,175)	-	-	(329,639)	(148,713)									
Write down of tangible capital assets	-	-	-	-	-	-	-	-									
BALANCE, END OF YEAR	329,900	334,148	5,543,553	13,104,113	622,473	214,102	20,148,289	19,936,714									
ACCUMULATED AMORTIZATION:																	
BALANCE, BEGINNING OF YEAR	-	232,213	1,278,061	7,880,054	505,890	108,645	10,004,863	9,720,540									
Annual amortization	-	8,808	111,189	232,781	47,767	14,087	414,632	398,338									
Accumulated amortization on disposals	-	(16,446)	(3,018)	(240,867)	-	-	(260,331)	(114,015)									
BALANCE, END OF YEAR	-	224,575	1,386,232	7,871,968	553,657	122,732	10,159,164	10,004,863									
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	329,900	109,573	4,157,321	5,232,145	68,816	91,370	9,989,125	9,931,851									
2012 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	339,800	81,325	4,308,610	5,002,900	116,583	82,633	9,931,851										

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, 2013

	Budget (Unaudited)	2013	2012
	\$	\$	\$
TAXATION			
Real property taxes	1,179,505	1,178,270	1,127,058
Linear property taxes	43,969	43,969	44,815
Government grants in place of property taxes	58,438	58,438	56,766
Special assessments and local improvement taxes	7,672	3,836	3,836
	<u>1,289,584</u>	<u>1,284,513</u>	<u>1,232,475</u>
REQUISITIONS			
Alberta School Foundation Fund	222,025	222,025	202,152
Heart River Seniors Foundation	11,818	11,818	11,879
	<u>233,843</u>	<u>233,843</u>	<u>214,031</u>
NET MUNICIPAL TAXES	<u>1,055,741</u>	<u>1,050,670</u>	<u>1,018,444</u>

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

Schedule 4

SCHEDULE OF GOVERNMENT TRANSFERS

For the Year Ended December 31, 2013

	Budget (Unaudited)	2013	2012
	\$	\$	\$
TRANSFERS FOR OPERATING			
Federal Government	4,695	11,820	4,427
Provincial Government - conditional	456,637	408,512	276,352
- unconditional	-	-	-
Local Government	58,294	43,977	44,787
	519,626	464,309	325,566
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	745,075	479,797	226,230
Local Government	-	-	-
	745,075	479,797	226,230
TOTAL GOVERNMENT TRANSFERS	1,264,701	944,106	551,796

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, 2013

	Budget (Unaudited)	2013	2012 Restated
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	799,340	759,987	737,851
Contracted and general services	802,801	724,812	642,190
Materials, goods and utilities (Note 17)	828,224	782,893	825,866
Provision for allowance	-	-	-
Transfer to other governments	61,000	61,784	45,993
Transfers to local boards and agencies	41,460	41,419	36,477
Transfers to individuals and organizations	59,736	83,813	51,460
Bank charges and short-term interest	150	90	28
Interest on long-term debt (Note 8)	25,396	25,166	28,609
Amortization of tangible capital assets	423,456	414,632	398,338
Loss on disposal of tangible capital assets	-	24,812	52,937
Other expenditures	27,900	20,623	31,498
	3,069,463	2,940,031	2,851,247

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER
SCHEDULE OF SEGMENTED DISCLOSURE
For the Year Ended December 31, 2013

Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation Culture	Other	Total 2013
	\$	\$	\$	\$	\$	\$	\$
REVENUE							
Net municipal taxes	1,050,670	-	-	-	-	-	1,050,670
User fees and sales of goods	27,039	160	31,839	742,824	64,718	27,139	893,719
Government transfers for operating	4,000	30,000	-	6,628	187,721	235,960	464,309
Penalties and costs on taxes	15,452	-	-	-	-	-	15,452
Franchise and concession contracts	107,061	-	-	-	-	-	107,061
Licenses, permits and fines	6,470	4,226	-	-	-	-	10,696
Investment income	42,216	-	1,722	-	447	-	44,385
Rentals	1,100	21,883	-	-	108,524	3,447	134,954
Drawn from allowances	-	-	-	-	-	-	-
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-
Other revenues	31,463	-	504	1,187	37,364	17,920	88,438
	1,285,471	56,269	34,065	750,639	398,774	284,466	2,809,684
EXPENSES							
Salaries, wages and benefits	270,658	371	185,194	42,082	97,701	163,981	759,987
Contracted and general services	110,220	7,664	97,414	206,169	188,144	115,201	724,812
Purchases from other governments	-	-	-	-	-	-	-
Materials, goods and utilities	29,690	9,883	117,390	469,635	151,131	5,164	782,893
Provision for allowance	-	-	-	-	-	-	-
Transfers to other governments	-	61,784	-	-	-	-	61,784
Transfers to local boards and agencies	-	-	19,360	-	-	22,059	41,419
Transfers to individuals and organizations	4,300	-	-	-	34,708	44,805	83,813
Bank charges and short-term interest	83	-	-	-	-	7	90
Interest on long-term debt (Note 8)	-	-	-	8,189	16,771	206	25,166
Other expenditures	19,207	-	-	1,416	-	-	20,623
Loss on disposal of tangible capital assets	-	-	19,308	-	-	5,504	24,812
	434,158	79,702	438,666	727,491	488,455	356,927	2,525,399
Net revenue before amortization and transfers for capital							
Amortization	851,313	(23,433)	(404,601)	23,148	(89,681)	(72,461)	284,285
Transfer to local government for capital	(8,975)	(2,900)	(180,044)	(103,869)	(114,059)	(4,785)	(414,632)
Contributed assets	-	-	-	-	-	-	-
Government transfers for capital	-	-	478,987	810	10,344	-	10,344
	842,338	(26,333)	(105,658)	(79,911)	(193,396)	(77,246)	359,794

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2013

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, 2013

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, 2013

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, with costs realized on a first-in first-out basis.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2013

2. CASH AND TEMPORARY INVESTMENTS

	2013	2012 Restated
Cash	\$	\$
Current bank accounts	160	110
Savings - public recreation reserve	43,876	211,454
Savings - other	-	-
Temporary investments - term deposits	154,958	13
	10,000	1,005,239
	208,994	1,216,816

Temporary investments are short-term deposits with original maturities of 3 months or less.

Included in temporary investments is a restricted amount of \$316,859 (2012: \$312,507) received from the provincial, federal government and local organizations held exclusively for specific projects. Interest earned of \$0 (2012: \$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 \$1,818 (2012: \$1,792) is externally restricted.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2013	2012
Current taxes and grants in place of taxes	\$	\$
Arrears taxes	33,591	24,201
	154,137	160,937
	187,728	185,138
Less: Allowance for doubtful accounts	38,899	38,899
	148,829	146,239

4. INVESTMENTS

	2013		2012 Restated	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Long-term deposits (A.T.B.)	2,283,405	2,283,405	500,000	500,000
Long-term deposit (B.M.O)	312,574	312,574	709,583	709,583
Long-term deposits (Horizon C.U.)	692,982	692,982	838,069	838,069
AMFC share	10	10	10	10
Equity in A.A.M.D.&C.	131	131	291	291
Equity held in Caisse Horizon	6,594	6,594	6,594	6,594
Equity held in Falher Co-op	2,753	2,753	2,753	2,753
	3,298,449	3,298,449	2,057,300	2,057,300

Term deposit (B.M.O.) has a rate of return of 1.95% over a 2 year period and matures on September 9, 2015.

Term deposits (Horizon Credit Union) have effective interest rates ranging from 1.0% to 1.5% and mature on dates between February 1, 2014 to June 15, 2015.

Term deposits (A.T.B) have effective interest rates ranging from 1.25% to 2.2% and mature on dates between April 17, 2014 to August 26, 2015.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2013

5. DEBT CHARGES RECOVERABLE

	2013	2012
	\$	\$
Current debt charges recoverable	14,765	13,929
Non-current debt charges recoverable	88,227	102,992
	102,992	116,921

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
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	18,641	2,304	20,945
2019 to maturity	19,759	1,185	20,944
	102,992	22,677	125,669

6. DEFERRED REVENUE

	2013	2012
	\$	\$
Provincial government transfers		
Federal Gas Tax Fund	54,576	25,503
Alberta Tourism	7,184	-
Municipal Sustainability Initiative	141,775	228,753
Basic Municipal Transportation	91,017	40,356
	294,552	294,612
Interest earned on deferred government transfers	-	-
Prepaid property tax revenue	4,080	3,331
Prepaid business licenses	-	3,575
Prepaid rental	-	15,347
Restricted donations	22,307	17,895
Requisition over-levy	-	-
	320,939	334,760

Provincial, federal, interest and restricted donations funding as per above \$316,859 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, 2013

7. EMPLOYEE BENEFIT OBLIGATIONS

	2013	2012
	\$	\$
Vacation and overtime	54,254	49,558

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

	2013	2012
	\$	\$
Bank loan	-	33,317
Debentures:		
Supported by general tax levies	351,748	373,338
Supported by special levies	23,822	26,092
Supported by debt charges recoverable	102,992	116,922
Supported by utility rates	-	-
	478,562	549,669
Current portion of long-term debt	39,760	39,075

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2014	39,760	23,425	63,185
2015	41,834	21,351	63,185
2016	44,018	19,167	63,185
2017	46,318	16,867	63,185
2018	48,741	14,444	63,185
Thereafter	257,891	43,391	301,282
	478,562	138,645	617,207

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 was repayable in monthly instalments of \$248 including principal and interest at 5.15% maturing in October 2029. The Alberta Treasury Branch mortgage was secured by residential property located in the Town of McLennan. During February 2013, the property was sold and the mortgage was repaid in full.

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 4.79% for 2013 (4.94% for 2012). Debenture debt is issued on the credit and security of the Town of Falher at large.

Interest on long-term debt amounted to \$25,166 (2011 - \$28,609).

The town's total cash payments for interest in 2013 were \$25,601 (2012 - \$29,020)

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2013

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:

	2013	2012
	\$	\$
Total debt limit	4,230,042	4,068,651
Total debt	375,570	432,748
Amount of debt limit unused	3,854,472	3,635,903
Debt servicing limit	705,007	678,109
Debt servicing	42,240	45,211
Amount of debt servicing above limit	662,767	632,898

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	2013	2012
	\$	Restated \$
Land	329,900	339,800
Land improvements	109,573	81,325
Buildings	4,157,321	4,308,610
Engineered Structures		
Roadway system	1,808,803	1,465,774
Storm sewer system	642,230	654,253
Water distribution system	1,634,545	1,670,723
Wastewater treatment system	1,145,757	1,212,150
Construction in progress - water and sewer	810	-
Machinery and equipment	68,816	116,583
Vehicles	91,370	82,633
	9,989,125	9,931,851

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2013	2012
	\$	\$
Tangible capital assets (Schedule 2)	20,140,289	19,936,714
Accumulated amortization (Schedule 2)	(10,159,164)	(10,004,863)
Long-term debt (Note 8)	(478,562)	(549,669)
Debt charges recoverable (Note 5)	102,992	116,921
	9,613,555	9,499,103

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

For the Year Ended December 31, 2013

12. ACCUMULATED SURPLUS

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

	2013	2012 Restated
	\$	\$
Unrestricted surplus (deficit)	198,381	197,617
Restricted surplus		
Council	11,663	15,500
Administration	66,000	101,000
Fire services (operations)	79,000	67,000
Ambulance and first aid	62,138	64,289
Roads and streets	244,217	240,217
Common services	4,000	-
By-law enforcement	7,000	2,000
Wastewater operations	46,841	46,841
Waste management	77,523	81,603
Water supply and distribution (operations)	377,293	319,307
F.C.S.S.	51,687	56,489
Cemetery	14,471	13,574
Planning, subdivision and development	29,000	27,000
Community services and physician recruitment	109,996	82,700
Recreation (facilities operations)	286,808	187,000
Library operations	19,300	13,000
Contingency (mill rate stabilization)	636,316	636,282
Administration (capital)	27,232	25,731
Fire services (capital)	116,604	116,604
Common services (equipment replacement)	12,000	25,000
Roads and streets (capital projects)	192,490	162,490
Storm sewers and drainage (capital projects)	22,471	22,471
Water distribution (capital)	255,426	225,426
Wastewater (capital)	78,484	74,484
Waste management (capital)	71,609	71,609
Recreation (capital)		
- park equipment	36,689	34,089
- wading pool	21,800	21,800
- swimming pool	10,000	10,000
- recreation programs	55,000	55,000
- campground	7,376	7,376
- public land reserve	1,818	1,792
Library (capital)	15,000	15,000
Equity in tangible capital assets	9,613,555	9,499,103
	12,879,188	12,519,394

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

For the Year Ended December 31, 2013

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)	2013 Total	2012 Total
Mayor:				
TARDIF, Margaret (10 months)	9,950	198	10,148	10,467
BUCHINSKI, Donna (2 months)	2,650	59	2,709	-
Councillors:				
BEAUDOIN, Guy	4,425	76	4,501	4,281
BRAITHWAITE, Gary	1,075	9	1,084	-
BUCHINSKI, Donna (10 months)	7,625	113	7,738	7,493
DUBE, Philippe	2,000	6	2,006	4,618
FARRELL, Lynn	3,700	45	3,745	-
LEFEBVRE, Ronald	-	-	-	750
LIMOGES, Rene	1,575	2	1,577	-
PRIMEAU, Sandra	5,700	128	5,828	4,063
ST. LAURENT, Marie	750	-	750	-
TURCOTTE, Fernand	-	-	-	2,200
	39,450	636	40,086	33,872
Chief Administrative Officer:				
PARKER, Adele	82,035	14,125	96,160	84,942
	121,485	14,761	136,246	118,814

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, 2013

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 was 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. During February 2013 the property was sold. 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:

	2013	2012
	\$	\$
Share of assets (16.5%)	10,359	51,464
Share of liabilities (16.5%)	(525)	(35,751)
	9,834	15,713
Total revenues	2,286	25,200
Total expenditures	(37,922)	(25,987)
	(35,636)	(787)
Share of deficit for the year ended December 31 (16.5%)	(5,879)	(130)

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, 2013 equal \$2,308.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2013

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 \$102,992 (2012: \$116,922) debenture plus interest. During the year, the Town of Falher paid \$457,572 (2012: \$499,847) to the Smoky River Regional Water Management Commission for the purchase of water. A total amount of \$3,000 (2012: \$3,200) was received from the commission for administration services provided by the town. The trade accounts receivable include \$406 (2012: \$235) which is due from the commission. Included in the town's accounts payable is an amount of \$30,870 (2012: \$41,673) due to the commission for the purchase of water consumed in December.

During the year, the Town of Falher paid \$77,806 (2012: \$92,617) to the Smoky River Regional Waste Management Commission for waste collection services and tipping fees. A total amount of \$7,600 (2012: \$9,800) was received from the commission for administration services provided by the town. Other amounts totalling \$35,569 (2012: \$39,449) were received by the Town of Falher from the commission for labor and equipment services. The trade accounts receivable include \$3,633 (2012: \$6,232) which is due from the commission. Included in the town's accounts payable is an amount of \$6,322 (2012: \$6,348) 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, 2013

19. RESTATEMENT OF FINANCIAL STATEMENTS

The town has restated its financial statements due a change of accounting policy regarding the classification of term deposits either as cash and temporary investments or long-term investments. Term deposits having original maturities of three months or less are now included in cash and temporary investments (Note 2) and term deposits with longer original maturities are included in long-term investments (Note 4). The reclassification of December 31, 2012 term deposits (\$1,310,518) has resulted in the restatement of the balance sheet and the statement of cash flows. The restatement had no effect on the statement of operations.

20. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.