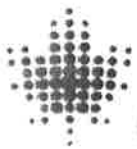
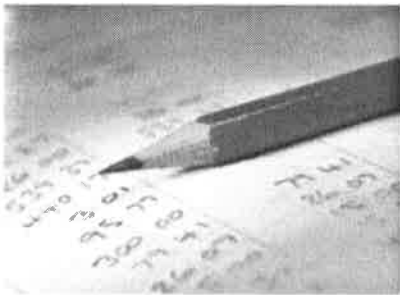


# SYLVAIN & COMPANY

**TOWN OF FALHER**

**Financial Statements**

**For the Year Ended December 31, 2015**



**CPA**

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

**TOWN OF FALHER**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2015

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# SYLVAIN & COMPANY

## Chartered Professional Accountants

Michel A Sylvain, CPA, CGA\*  
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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, 2015, 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.

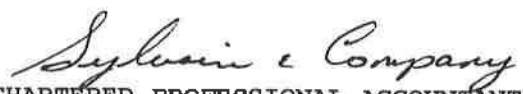
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2015 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  
March 14, 2016

  
CHARTERED PROFESSIONAL ACCOUNTANTS

**TOWN OF FALHER**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at December 31, 2015

	2015	2014 Restated
<b>FINANCIAL ASSETS</b>	\$	\$
Cash and temporary investments (Note 2)	740,930	277,767
Receivables		
Taxes and grants in place of taxes (Note 3)	167,124	168,761
From other governments	253,883	43,960
Trade and other (Note 4 & 20)	347,226	317,927
Land held for resale inventory	14,989	13,429
Investments (Note 5)	2,260,258	3,237,324
Other financial assets (Note 6)	-	8,561
Debt charge recoverable (Note 7)	72,576	88,227
	<b>3,856,986</b>	<b>4,155,956</b>

**LIABILITIES**

Accounts payable and accrued liabilities (Note 20)	138,429	187,982
Deposit liabilities	62,315	59,205
Deferred revenue (Note 8)	117,599	266,598
Employee benefit obligations (Note 9)	58,677	57,742
Long-term debt (Note 10)	378,105	417,387
	<b>755,125</b>	<b>988,914</b>

<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>3,101,861</b>	<b>3,167,042</b>
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**NON-FINANCIAL ASSETS**

Tangible capital assets (Note 12)	11,218,135	10,812,662
Inventory for consumption	5,683	5,683
Prepaid expenses	4,287	8,183
	<b>11,228,105</b>	<b>10,826,528</b>

<b>ACCUMULATED SURPLUS (Schedule 1 and Note 14)</b>	<b>14,329,966</b>	<b>13,993,570</b>
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Commitments and contingencies - See Notes 18 and 19

See accompanying schedules and notes to the financial statements.

**TOWN OF FALHER**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

For the Year Ended December 31, 2015

	Budget (Unaudited)	2015	2014 Restated
	\$	\$	\$
<b>REVENUE</b>			
Net municipal taxes (Schedule 3)	1,140,679	1,139,422	1,265,033
User fees and sales of goods	930,246	959,367	925,653
Government transfers for operating (Schedule 4)	355,651	367,872	326,618
Penalties and costs on taxes	12,000	19,587	14,606
Franchise and concession contracts	105,000	113,069	114,431
Investment income	40,000	61,403	60,899
Licenses, permits and fines	10,800	12,926	12,604
Rentals	146,750	160,615	137,490
Drawn from allowances	-	-	-
Gain on disposal of tangible capital assets	-	-	-
Other revenues	46,665	73,752	87,689
<b>Total Revenue</b>	<b>2,787,791</b>	<b>2,908,013</b>	<b>2,945,023</b>
<b>EXPENSES</b>			
Council and other legislative	55,550	53,461	46,586
General administration	370,954	369,399	375,136
Fire fighting and protective services	83,350	86,002	78,878
By-law enforcement	8,200	5,453	7,602
Common services	177,681	179,307	206,013
Roads, streets, walks, lighting	440,610	373,062	427,310
Airport	19,360	19,360	19,360
Storm sewers and drainage	42,103	22,122	28,956
Water supply and distribution	650,326	612,249	537,296
Wastewater treatment and disposal	263,550	249,475	115,177
Waste management	102,893	103,031	101,559
Family and community support services	202,241	227,621	219,160
Physician recruitment	11,760	10,484	4,806
Cemetery	9,650	5,345	5,646
Land use planning, zoning and development	25,948	25,448	22,688
Economic development and community services	84,010	71,936	67,599
Subdivision land and development	2,375	6,021	374
Parks and recreation	604,152	594,670	557,912
Culture: library	36,410	35,101	25,207
<b>Total Expenses</b>	<b>3,191,123</b>	<b>3,049,547</b>	<b>2,847,265</b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<b>(403,332)</b>	<b>(141,534)</b>	<b>97,758</b>
<b>OTHER</b>			
Contributed assets	-	-	-
Organization transfers for capital	232,522	195,503	321,556
Government transfers for capital (Schedule 4)	337,168	282,427	674,328
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	<b>166,358</b>	<b>336,396</b>	<b>1,093,642</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>13,993,570</b>	<b>13,993,570</b>	<b>12,899,928</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>14,159,928</b>	<b>14,329,966</b>	<b>13,993,570</b>

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, 2015

	Budget (Unaudited)	2015	2014 Restated
	\$	\$	\$
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	166,358	<b>336,396</b>	1,093,642
Acquisition of tangible capital assets	(1,039,770)	<b>(846,866)</b>	(1,263,138)
Contributed tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	-	-	-
Amortization of tangible capital assets	434,555	<b>441,393</b>	416,184
(Gain) loss on sale of tangible capital assets	-	-	23,417
	(605,215)	<b>(405,473)</b>	(823,537)
Acquisition of supplies inventories	(63,725)	<b>(39,942)</b>	(74,085)
Acquisition of prepaid assets	(54,466)	<b>(49,936)</b>	(37,559)
Use of supplies inventories	63,725	<b>39,942</b>	74,317
Use of prepaid assets	54,466	<b>53,832</b>	33,188
	-	<b>3,896</b>	(4,139)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(438,857)	<b>(65,181)</b>	265,966
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	3,167,042	<b>3,167,042</b>	2,901,076
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	2,728,185	<b>3,101,861</b>	3,167,042

See accompanying schedules and notes to the financial statements.

**TOWN OF FALHER**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2015

	2015	2014
	\$	Restated \$
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (shortfall) of revenues over expenses	336,396	1,093,642
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	441,393	416,184
Gain (loss) on disposal of tangible capital assets	-	23,417
Tangible capital assets received as contributions	-	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	1,637	(19,932)
Decrease (increase) in from other government receivables	(209,923)	(31,419)
Decrease (increase) in trade and other receivables	(29,299)	(171,811)
Decrease (increase) in land held for resale	(1,560)	-
Decrease (increase) in other financial assets	8,561	(8,561)
Decrease (increase) in inventory of materials and supplies	-	232
Decrease (increase) in prepaid expenses	3,896	(4,371)
Increase (decrease) in accounts payable and accrued liabilities	(49,553)	68,124
Increase (decrease) in deposit liabilities	3,110	5,625
Increase (decrease) in deferred revenue	(148,999)	(54,341)
Increase (decrease) in employee benefit obligations	935	407
Cash provided by operating transactions	<u>356,594</u>	<u>1,317,196</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(846,866)	(1,263,138)
Sale of tangible capital assets	-	-
Cash provided by (applied to) capital transactions	<u>(846,866)</u>	<u>(1,263,138)</u>
<b>INVESTING</b>		
Decrease (increase) in restricted cash or cash equivalents	129,157	80,244
Decrease (increase) in investments	977,066	61,125
Cash provided by (applied to) investing transactions	<u>1,106,223</u>	<u>141,369</u>
<b>FINANCING</b>		
Debt charges recoverable	15,651	14,765
Long-term debt issued	-	-
Long-term debt repaid	(39,282)	(61,175)
Cash provided by (applied to) financing transactions	<u>(23,631)</u>	<u>(46,410)</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>592,320</b>	<b>149,017</b>
<b>CASH AND CASH EQUIVALENTS (SHORTAGE), BEGINNING OF YEAR</b>	<b>39,334</b>	<b>(109,683)</b>
<b>CASH AND CASH EQUIVALENTS (SHORTAGE), END OF YEAR</b>	<b>631,654</b>	<b>39,334</b>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	740,930	277,767
Less: restricted portion of cash and temporary investments (Note 2)	(109,276)	(238,433)
	<u>631,654</u>	<u>39,334</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, 2015

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2015	2014
	\$	\$	\$	\$	Restated
<b>BALANCE, BEGINNING OF YEAR (RESTATED)</b>	<b>214,484</b>	<b>3,295,584</b>	<b>10,483,502</b>	<b>13,993,570</b>	<b>12,899,928</b>
Excess (deficiency) of revenues over expenses	336,396	-	-	336,396	1,093,642
Unrestricted funds designated for future use	(357,795)	357,795	-	-	-
Restricted funds used for operations	190,410	(190,410)	-	-	-
Restricted funds used for tangible capital assets	-	(260,369)	260,369	-	-
Current year funds used for tangible capital assets	(586,497)	-	586,497	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	-	-	-	-	-
Annual amortization expense	441,393	-	(441,393)	-	-
Capital long-term debt repaid	(23,631)	-	23,631	-	-
<b>CHANGE IN ACCUMULATED SURPLUS</b>	<b>276</b>	<b>(92,984)</b>	<b>429,104</b>	<b>336,396</b>	<b>1,093,642</b>
<b>BALANCE, END OF YEAR</b>	<b>214,760</b>	<b>3,202,600</b>	<b>10,912,606</b>	<b>14,329,966</b>	<b>13,993,570</b>

See accompanying schedules and notes to the financial statements.



**TOWN OF FALHER**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

For the Year Ended December 31, 2015

**Schedule 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2015	2014
	\$	\$	\$	\$	\$	\$	\$	Restated
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	329,900	661,449	5,543,553	13,875,114	627,632	214,102	21,251,750	20,148,289
Acquisition of tangible capital assets	2,012	211,357	50,488	560,351	22,658	-	846,866	1,257,979
Construction-in-progress	-	-	-	-	-	-	-	5,159
Disposal of tangible capital assets	-	-	-	-	-	-	-	(159,677)
Write down of tangible capital assets	-	-	-	-	-	-	-	-
<b>BALANCE, END OF YEAR</b>	<b>331,912</b>	<b>872,806</b>	<b>5,594,041</b>	<b>14,435,465</b>	<b>650,290</b>	<b>214,102</b>	<b>22,098,616</b>	<b>21,251,750</b>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	216,484	1,498,221	8,003,013	584,550	136,820	10,439,088	10,159,164
Annual amortization	-	45,740	112,494	257,847	11,225	14,087	441,393	416,184
Accumulated amortization on disposals	-	-	-	-	-	-	-	(136,260)
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>262,224</b>	<b>1,610,715</b>	<b>8,260,860</b>	<b>595,775</b>	<b>150,907</b>	<b>10,880,461</b>	<b>10,439,088</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>331,912</b>	<b>610,582</b>	<b>3,983,326</b>	<b>6,174,605</b>	<b>54,515</b>	<b>63,195</b>	<b>11,218,135</b>	<b>10,812,662</b>
Restated 2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	329,900	444,965	4,045,332	5,872,101	43,082	77,282	10,812,662	

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, 2015

	Budget (Unaudited)	2015	2014
	\$	\$	\$
<b>TAXATION</b>			
Real property taxes	1,313,999	<b>1,312,742</b>	1,242,085
Linear property taxes	46,782	<b>46,782</b>	46,060
Government grants in place of property taxes	17,912	<b>17,912</b>	59,505
Special assessments and local improvement taxes	5,481	<b>5,481</b>	152,419
	<u>1,384,174</u>	<u><b>1,382,917</b></u>	<u>1,500,069</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	230,293	<b>230,293</b>	223,260
Heart River Seniors Foundation	13,202	<b>13,202</b>	11,776
	<u>243,495</u>	<u><b>243,495</b></u>	<u>235,036</u>
<b>NET MUNICIPAL TAXES</b>	<u>1,140,679</u>	<u><b>1,139,422</b></u>	<u>1,265,033</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, 2015

	Budget (Unaudited)	2015	2014
	\$	\$	\$
<b>TRANSFERS FOR OPERATING</b>			
Federal Government	3,800	<b>13,621</b>	5,672
Provincial Government - conditional	309,118	<b>312,044</b>	277,828
- unconditional	-	-	-
Local Government	42,733	<b>42,207</b>	43,118
	355,651	<b>367,872</b>	326,618
<b>TRANSFERS FOR CAPITAL</b>			
Federal Government	-	-	-
Provincial Government	337,168	<b>282,427</b>	674,328
Local Government	-	-	-
	337,168	<b>282,427</b>	674,328
<b>TOTAL GOVERNMENT TRANSFERS</b>	692,819	<b>650,299</b>	1,000,946

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, 2015

	Budget (Unaudited)	2015	2014 Restated
	\$	\$	\$
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	922,201	<b>929,476</b>	837,148
Contracted and general services	781,228	<b>698,188</b>	603,719
Materials, goods and utilities (Note 20)	863,425	<b>786,857</b>	756,801
Provision for allowance	-	-	-
Transfer to other governments	63,200	<b>70,149</b>	63,202
Transfers to local boards and agencies	40,518	<b>40,720</b>	40,466
Transfers to individuals and organizations	47,407	<b>60,463</b>	75,567
Bank charges and short-term interest	1,100	<b>1,142</b>	368
Interest on long-term debt (Note 10)	35,589	<b>19,584</b>	24,339
Amortization of tangible capital assets	434,555	<b>441,393</b>	416,184
Loss on disposal of tangible capital assets	-	-	23,417
Other expenditures	1,900	<b>1,575</b>	6,054
	<b>3,191,123</b>	<b>3,049,547</b>	2,847,265

See accompanying schedules and notes to the financial statements.

**TOWN OF FALHER**

**Schedule 6**

**SCHEDULE OF SEGMENTED DISCLOSURE**

For the Year Ended December 31, 2015

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation Culture	Other	Total 2015
	\$	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>							
Net municipal taxes	1,133,941	-	4,196	1,285	-	-	1,139,422
User fees and sales of goods	18,733	4,212	15,843	770,188	47,268	103,123	959,367
Government transfers for operating	62,156	-	-	83,000	39,169	183,547	367,872
Penalties and costs on taxes	19,587	-	-	-	-	-	19,587
Franchise and concession contracts	113,069	-	-	-	-	-	113,069
Licenses, permits and fines	5,700	5,451	-	-	-	1,775	12,926
Investment income	61,403	-	-	-	-	-	61,403
Rentals	9,280	18,988	-	-	127,320	5,027	160,615
Drawn from allowances	-	-	-	-	-	-	-
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-
Other revenues	22,335	15	77	1,839	22,735	26,751	73,752
	1,446,204	28,666	20,116	856,312	236,492	320,223	2,908,013
<b>EXPENSES</b>							
Salaries, wages and benefits	298,583	4,150	217,654	40,292	188,618	180,179	929,476
Contracted and general services	96,436	7,170	73,777	282,532	138,850	99,423	698,188
Purchases from other governments	-	-	-	-	-	-	-
Materials, goods and utilities	12,492	7,087	113,297	526,668	121,816	5,497	786,857
Provision for allowance	-	-	-	-	-	-	-
Transfers to other governments	-	70,149	-	-	-	-	70,149
Transfers to local boards and agencies	-	-	19,360	-	-	21,360	40,720
Transfers to individuals and organizations	4,200	-	-	-	21,157	35,106	60,463
Bank charges and short-term interest	1,142	-	-	-	-	-	1,142
Interest on long-term debt (Note 8)	-	-	-	4,859	14,725	-	19,584
Other expenditures	1,481	-	-	94	-	-	1,575
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-
	414,334	88,556	424,088	854,445	485,166	341,565	2,608,154
<b>Net revenue before amortization and transfers for capital</b>	1,031,870	(59,890)	(403,972)	1,867	(248,674)	(21,342)	299,859
Amortization	(8,525)	(2,900)	(169,763)	(110,310)	(144,606)	(5,289)	(441,393)
Organization transfers for capital	-	-	-	-	195,503	-	195,503
Contributed assets	-	-	-	-	-	-	-
Government transfers for capital	-	-	-	266,573	15,854	-	282,427
<b>NET REVENUE (SHORTFALL)</b>	<b>1,023,345</b>	<b>(62,790)</b>	<b>(573,735)</b>	<b>158,130</b>	<b>(181,923)</b>	<b>(26,631)</b>	<b>336,396</b>

See accompanying schedules and notes to the financial statements.

## TOWN OF FALHER

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

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#### 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 Chartered Professional Accountants of Canada. 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, 2015

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### 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) 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.

#### 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.

**TOWN OF FALHER**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2015

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**1. SIGNIFICANT ACCOUNTING POLICIES - CON'T**

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**j) Contaminated Sites Liability**

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

**k) Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

**i. Tangible Capital Assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	<b>YEARS</b>
Land improvements	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, 2015

**2. CASH AND TEMPORARY INVESTMENTS**

	2015	2014
	\$	\$
Cash	135	110
Current bank accounts	186,892	68,400
Savings - other	553,903	199,257
Temporary investments - term deposits	-	10,000
	<b>740,930</b>	<b>277,767</b>

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

Included in cash and temporary investments is a restricted amount of \$108,366 (2014: \$237,523) received from the provincial, federal government and local organizations held exclusively for specific projects. Interest earned of \$910 (2014: \$910) on unspent provincial funds is also restricted as per funding agreements and must be spent on the related specific projects.

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

	2015	2014
	\$	\$
Current taxes and grants in place of taxes	29,485	32,349
Arrears taxes	176,538	175,311
	<b>206,023</b>	<b>207,660</b>
Less: Allowance for doubtful accounts	38,899	38,899
	<b>167,124</b>	<b>168,761</b>

**4. TRADE AND OTHER RECEIVABLES**

	2015	2014
	\$	\$
Local improvement levies	161,596	172,405
Accrued interest	31,471	37,444
Trade accounts	94,949	48,520
Utility accounts	59,210	59,558
	<b>347,226</b>	<b>317,927</b>

Local improvement levies of \$11,169 are to be received in 2016 with the balance of \$150,427 to be received in the years 2017 to 2029.

**TOWN OF FALHER**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2015

**5. INVESTMENTS**

	2015		2014	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Long-term deposits (A.T.B.)	1,924,222	1,924,222	2,370,445	2,370,445
Long-term deposit (B.M.O)	-	-	318,669	318,669
Long-term deposits (Vision C.U.)	324,883	324,883	538,902	538,902
ACFA share	10	10	10	10
Equity in A.A.M.D.&C.	-	-	51	51
Equity held in Vision Credit Union	8,155	8,155	6,414	6,414
Equity held in New Horizon Co-op	2,988	2,988	2,833	2,833
	<b>2,260,258</b>	<b>2,260,258</b>	<b>3,237,324</b>	<b>3,237,324</b>

Term deposit (Vision Credit Union) has an effective interest of 1.25% and matures on September 9, 2016.

Term deposits (A.T.B) have effective interest rates ranging from 1.9% to 2.3% and mature on dates between February 3, 2016 to May 2, 2017.

**6. OTHER FINANCIAL ASSETS**

	2015	2014
	\$	\$
Requisition under-levy - education taxes	-	8,561

**7. DEBT CHARGES RECOVERABLE**

	2015	2014
	\$	\$
Current debt charges recoverable	15,690	15,651
Non-current debt charges recoverable	56,886	72,576
	<b>72,576</b>	<b>88,227</b>

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
2016	16,590	4,355	20,945
2017	17,586	3,359	20,945
2018	18,641	2,304	20,945
2019	19,759	1,185	20,944
2020	-	-	-
	<b>72,576</b>	<b>11,203</b>	<b>83,779</b>

**TOWN OF FALHER**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2015

**8. DEFERRED REVENUE**

	2015	2014
	\$	\$
Provincial government transfers		
Federal Gas Tax Fund	-	-
Human Services (FCSS)	10,447	-
Health and Youth Relations	-	625
Municipal Sustainability Initiative	-	102,029
Basic Municipal Transportation	91,017	91,017
	<b>101,464</b>	<b>193,671</b>
Interest earned on deferred government transfers	910	910
Prepaid property tax revenue	1,193	2,496
Prepaid licenses and other fees	6,780	5,669
Prepaid rental	350	20,000
Restricted donations	6,902	43,852
Requisition over-levy	-	-
	<b>117,599</b>	<b>266,598</b>

Provincial, federal, interest and restricted donations funding as per above \$109,276 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 cash temporary investments of \$109,276 held exclusively for these projects (refer Note 2).

**9. EMPLOYEE BENEFIT OBLIGATIONS**

	2015	2014
	\$	Restated \$
Sick pay benefits obligations	10,282	8,356
Vacation and overtime	48,395	49,386
	<b>58,677</b>	<b>57,742</b>

**Sick pay benefits**

The sick pay benefits liability is comprised of sick pay that accumulates but does not vest and is paid only upon an illness or injury-related absence. The extent to which accumulated sick days are expected to be used by the employees has been considered in measuring this obligation.

**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.

**TOWN OF FALHER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2015

**10. LONG-TERM DEBT**

	2015	2014
	\$	\$
Debtures:		
Supported by general tax levies	305,529	329,160
Supported by special levies	-	-
Supported by debt charges recoverable	72,576	88,227
Supported by utility rates	-	-
	<b>378,105</b>	<b>417,387</b>
Current portion of long-term debt	<b>41,314</b>	<b>39,283</b>

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2016	41,314	18,035	59,349
2017	43,452	15,897	59,349
2018	45,702	13,647	59,349
2019	48,071	11,277	59,348
2020	29,620	8,784	38,404
Thereafter	169,946	22,076	192,022
	<b>378,105</b>	<b>89,716</b>	<b>467,821</b>

Debture 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 4.81% for 2015 (4.89% for 2014). Debture debt is issued on the credit and security of the Town of Falher at large.

Interest on long-term debt amounted to \$19,584 (2014 - \$24,339).

The town's total cash payments for interest in 2015 were \$20,066 (2014 - \$24,849)

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

For the Year Ended December 31, 2015

**11. 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:

	2015	2014
	\$	\$
Total debt limit	4,655,274	4,899,869
Total debt	305,529	329,160
Amount of debt limit unused	4,349,745	4,570,709
Debt servicing limit	775,879	816,645
Debt servicing	38,404	38,404
Amount of debt servicing above limit	737,475	778,241

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.

**12. TANGIBLE CAPITAL ASSETS**

Net Book Value	2015	2014
	\$	Restated \$
Land	331,912	329,900
Land improvements	610,582	100,765
Construction in progress - splash park and bee slide	-	344,200
Buildings	3,983,326	4,045,332
Engineered Structures		
Roadway system	2,279,992	2,413,705
Storm sewer system	842,349	779,844
Water distribution system	1,791,101	1,597,963
Wastewater treatment system	1,261,163	1,079,779
Construction in progress - water and sewer	-	810
Machinery and equipment	54,515	37,923
Construction in progress - sander unit	-	5,159
Vehicles	63,195	77,282
	11,218,135	10,812,662

**13. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2015	2014
	\$	Restated \$
Tangible capital assets (Schedule 2)	22,098,616	21,251,750
Accumulated amortization (Schedule 2)	(10,880,481)	(10,439,088)
Long-term debt (Note 10)	(378,105)	(417,387)
Debt charges recoverable (Note 7)	72,576	88,227
	10,912,606	10,483,502

**TOWN OF FALHER**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2015

**14. ACCUMULATED SURPLUS**

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

	2015	2014
	\$	Restated \$
Unrestricted surplus (deficit)	214,760	214,484
Restricted surplus		
Council	20,663	18,663
Administration	78,000	78,000
Fire services (operations)	73,500	75,500
Ambulance and first aid	57,839	59,989
Roads, streets and storm sewers	302,217	244,217
Common services	4,000	4,000
By-law enforcement	12,000	8,500
Wastewater operations	88,887	95,791
Waste management	70,143	73,133
Water supply and distribution (operations)	448,587	469,837
F.C.S.S.	38,692	43,867
Cemetery	12,281	13,826
Planning, subdivision and development	80,000	41,500
Community services and physician recruitment	107,458	163,421
Recreation (facilities operations)	378,266	346,700
Library operations	26,650	4,800
Contingency (mill rate stabilization)	499,274	537,687
Administration (capital)	23,632	28,231
Fire services (capital)	86,604	86,604
Common services (equipment replacement)	97,000	64,000
Roads and streets (capital projects)	319,115	253,490
Storm sewers and drainage (capital projects)	-	22,471
Water distribution (capital)	193,145	265,426
Wastewater (capital)	-	82,484
Waste management (capital)	71,609	71,609
Recreation (capital)		
- park equipment	39,689	38,489
- wading pool	973	973
- swimming pool	10,000	10,000
- recreation programs	55,000	55,000
- campground	7,376	7,376
Library (capital)	-	30,000
Equity in tangible capital assets	10,912,606	10,483,502
	<b>14,329,966</b>	<b>13,993,570</b>

# TOWN OF FALHER

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

### 15. 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)	2015 Total	2014 Total
Mayor:				
BUCHINSKI, Donna	15,565	340	15,905	15,012
Councillors:				
BRAITHWAITE, Gary	5,450	85	5,535	4,845
BROWN, Lindsay	125	-	125	-
FARRELL, Lynn	1,225	3	1,228	5,600
LIMOGES, Rene	5,775	65	5,840	1,681
PRIMEAU, Sandra	7,400	339	7,739	3,883
ST. LAURENT, Marie	4,675	67	4,742	2,447
	40,215	899	41,114	33,468
Chief Administrative Officer:				
PARKER, Adele	94,544	18,302	112,846	105,205
	134,759	19,201	153,960	138,673

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.

### 16. SEGMENTED DISCLOSURE

The Town of Falher 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)

# TOWN OF FALHER

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

### 17. 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 1st day of October, 2015. 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. The primary purpose of this agreement is to provide and maintain a building in McLennan to rent a residential dwelling to doctors and their families. This investment is accounted for by the proportionate consolidation method.

	2015	2014
Share of assets (17.5%)	\$ 56,139	\$ -
Share of liabilities (17.5%)	(962)	-
	<u>55,177</u>	<u>-</u>
Total revenues	8,000	-
Total expenditures	(32,703)	-
	<u>(24,703)</u>	<u>-</u>
Share of deficit for the year ended December 31 (17.5%)	<u>(4,323)</u>	<u>-</u>

### 18. 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.

### 19. 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, 2015 equal \$630.

The TOWN OF FALHER is committed to make annual payments ranging from \$58,533 to \$50,732 per year under a fire protection services agreement with the Municipal District of Smoky River No. 130. The agreement is in force until December 31, 2020.



## TOWN OF FALHER

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

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#### 20. RELATED PARTY TRANSACTIONS

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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 \$72,576 (2014: \$88,227) debenture plus interest. During the year, the Town of Falher paid \$516,573 (2014: \$459,333) to the Smoky River Regional Water Management Commission for the purchase of water. A total amount of \$3,500 (2014: \$3,200) was received from the commission for administration services provided by the town. The trade accounts receivable include \$210 (2014: \$264) which is due from the commission. Included in the town's accounts payable is an amount of \$40,753 (2014: \$35,820) due to the commission for the purchase of water consumed in December.

During the year, the Town of Falher paid \$77,920 (2014: \$80,490) to the Smoky River Regional Waste Management Commission for waste collection services and tipping fees. A total amount of \$8,500 (2014: \$7,900) was received from the commission for administration services provided by the town. Other amounts totalling \$18,365 (2014: \$49,518) were received by the Town of Falher from the commission for labor and equipment services. The trade accounts receivable include \$1,072 (2014: \$3,235) which is due from the commission. Included in the town's accounts payable is an amount of \$6,399 (2014: \$6,432) 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.

#### 21. FINANCIAL INSTRUMENTS

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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.

#### 22. CONTAMINATED SITES LIABILITY

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On January 1, 2015 the Town adopted PS3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the Town.

**TOWN OF FALHER**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2015

**23. PRIOR PERIOD ADJUSTMENTS**

The TOWN has restated its 2014 financial statements to correct an error in calculation of sick pay obligations and a second error in the capitalization of equipment purchased in 2014 (was previously expensed and not capitalized). These adjustments are as follows:

	2014
<b>Adjustments to excess (shortfall) of revenues over expenses:</b>	
As previously reported	\$
Increase to salaries, wages and benefits	1,093,389
Decrease to materials goods and utilities	(4,906)
<b>As restated</b>	<b>5,159</b>
	<b>1,093,642</b>

	2014
<b>Adjustments to tangible capital assets:</b>	
As previously reported	\$
Increase to local improvement levies	10,807,503
<b>As restated</b>	<b>5,159</b>
	<b>10,812,662</b>

	2014
<b>Adjustments to employee benefit obligations:</b>	
As previously reported	\$
Increase to employee benefit obligations	52,836
<b>As restated</b>	<b>4,906</b>
	<b>57,742</b>

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

**24. APPROVAL OF FINANCIAL STATEMENTS**

Council and management have approved these financial statements.