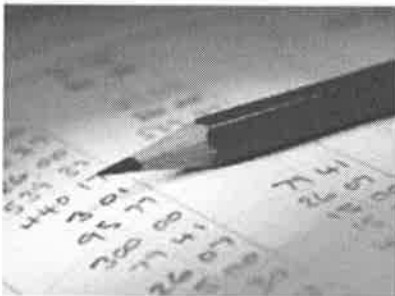


SYLVAIN & COMPANY

TOWN OF FALHER

Financial Statements

For the Year Ended December 31, 2017



CPA

**CHARTERED
PROFESSIONAL
ACCOUNTANTS**

TOWN OF FALHER
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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SYLVAIN & COMPANY

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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, 2017, 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, 2017 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 9, 2018


CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF FALHER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	2017	2016
FINANCIAL ASSETS	\$	\$
Cash and temporary investments (Note 2)	494,747	892,231
Receivables		
Taxes and grants in place of taxes (Note 3)	169,325	188,697
From other governments	5,981	240,736
Trade and other (Note 4 & 20)	261,301	338,204
Land held for resale inventory	264,655	230,290
Investments (Note 5)	3,072,052	2,128,811
Other financial assets (Note 6)	-	-
Debt charge recoverable (Note 7)	38,400	55,986
	4,306,461	4,074,955

LIABILITIES

Accounts payable and accrued liabilities (Note 20)	127,647	137,013
Deposit liabilities	69,524	64,300
Deferred revenue (Note 8)	373,612	14,051
Employee benefit obligations (Note 9)	62,022	57,298
Long-term debt (Note 10)	335,439	436,791
	968,244	709,453

NET FINANCIAL ASSETS (DEBT)	3,338,217	3,365,502
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NON-FINANCIAL ASSETS

Tangible capital assets (Note 12)	11,306,243	11,451,774
Inventory for consumption	2,605	3,436
Prepaid expenses	37,641	8,668
	11,346,489	11,463,878

ACCUMULATED SURPLUS (Schedule 1 and Note 14)	14,684,706	14,829,380
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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, 2017

	Budget (Unaudited)	2017	2016
REVENUE	\$	\$	\$
Net municipal taxes (Schedule 3)	1,193,255	1,194,365	1,157,014
User fees and sales of goods	900,954	925,393	932,565
Government transfers for operating (Schedule 4)	369,970	371,074	385,611
Penalties and costs on taxes	24,000	22,593	19,580
Franchise and concession contracts	125,000	125,316	122,037
Investment income	45,000	54,802	56,005
Licenses, permits and fines	13,325	19,472	14,804
Rentals	162,137	162,775	172,804
Drawn from allowances	-	-	-
Gain on disposal of tangible capital assets	-	4,050	-
Other revenues	39,450	112,874	67,174
Total Revenue	2,873,091	2,992,714	2,927,594
EXPENSES			
Council and other legislative	65,400	62,309	54,549
General administration	416,704	425,155	390,719
Fire fighting and protective services	69,074	66,641	70,849
By-law enforcement	10,333	9,924	13,742
Common services	180,925	192,286	171,100
Roads, streets, walks, lighting	460,838	402,839	378,290
Airport	21,933	21,933	21,296
Storm sewers and drainage	33,572	28,734	43,034
Water supply and distribution	615,027	592,895	629,352
Wastewater treatment and disposal	188,629	195,083	143,512
Waste management	112,615	113,259	102,718
Family and community support services	281,669	319,608	243,536
Physician recruitment	5,747	7,325	7,239
Cemetery	9,350	4,031	4,938
Land use planning, zoning and development	41,794	41,794	47,661
Economic development and community services	83,823	62,959	84,754
Subdivision land and development	540	4,341	4,709
Parks and recreation	629,225	677,502	658,639
Culture: library	27,967	28,667	25,882
Total Expenses	3,255,165	3,257,285	3,096,519
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(382,074)	(264,571)	(168,925)
OTHER			
Contributed assets	-	-	-
Organization transfers for capital	-	50,302	75,343
Government transfers for capital (Schedule 4)	186,000	69,595	592,996
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	(196,074)	(144,674)	499,414
ACCUMULATED SURPLUS, BEGINNING OF YEAR	14,829,380	14,829,380	14,329,966
ACCUMULATED SURPLUS, END OF YEAR	14,633,306	14,684,706	14,829,380

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, 2017

	Budget (Unaudited)	2017	2016
	\$	\$	\$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	(196,074)	(144,674)	499,414
Acquisition of tangible capital assets	(386,000)	(320,112)	(713,654)
Contributed tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	-	4,050	-
Amortization of tangible capital assets	444,311	465,643	449,567
(Gain) loss on sale of tangible capital assets	-	(4,050)	30,448
	58,311	145,531	(233,639)
Acquisition of supplies inventories	(52,775)	(47,091)	(41,989)
Acquisition of prepaid assets	(54,824)	(93,893)	(56,695)
Use of supplies inventories	52,775	47,922	44,236
Use of prepaid assets	54,824	54,920	52,314
	-	(28,142)	(2,134)
INCREASE (DECREASE) IN NET ASSETS	(137,763)	(27,285)	263,641
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	3,365,502	3,365,502	3,101,861
NET FINANCIAL ASSETS (DEBT), END OF YEAR	3,227,739	3,338,217	3,365,502

See accompanying schedules and notes to the financial statements.

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

For the Year Ended December 31, 2017

	2017	2016
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	(144,674)	499,414
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	465,643	449,567
Gain (loss) on disposal of tangible capital assets	(4,050)	30,448
Tangible capital assets received as contributions	-	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	19,372	(21,573)
Decrease (increase) in from other government receivables	234,755	13,147
Decrease (increase) in trade and other receivables	76,903	9,022
Decrease (increase) in land held for resale	(34,365)	(215,301)
Decrease (increase) in other financial assets	-	-
Decrease (increase) in inventory of materials and supplies	831	2,247
Decrease (increase) in prepaid expenses	(28,973)	(4,381)
Increase (decrease) in accounts payable and accrued liabilities	(9,366)	(1,416)
Increase (decrease) in deposit liabilities	5,224	1,985
Increase (decrease) in deferred revenue	359,561	(103,548)
Increase (decrease) in employee benefit obligations	4,724	(1,379)
Cash provided by operating transactions	945,585	658,232
CAPITAL		
Acquisition of tangible capital assets	(320,112)	(713,654)
Sale of tangible capital assets	4,050	-
Cash provided by (applied to) capital transactions	(316,062)	(713,654)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	(357,510)	101,626
Decrease (increase) in investments	(943,241)	131,447
Cash provided by (applied to) investing transactions	(1,300,751)	233,073
FINANCING		
Debt charges recoverable	17,586	26,590
Long-term debt issued	-	100,000
Long-term debt repaid	(101,352)	(41,314)
Cash provided by (applied to) financing transactions	(83,766)	75,276
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(754,994)	252,927
CASH AND CASH EQUIVALENTS (SHORTAGE), BEGINNING OF YEAR	884,581	631,654
CASH AND CASH EQUIVALENTS (SHORTAGE), END OF YEAR	129,587	884,581
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	494,747	892,231
Less: restricted portion of cash and temporary investments (Note 2)	(365,160)	(7,650)
	129,587	884,581

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, 2017

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR (RESTATED)	215,297	3,543,114	11,070,969	14,829,380	14,329,966
Excess (deficiency) of revenues over expenses	(144,674)	-	-	(144,674)	499,414
Unrestricted funds designated for future use	(273,626)	273,626	-	-	-
Restricted funds used for operations	165,679	(165,679)	-	-	-
Restricted funds used for tangible capital assets	-	(190,000)	190,000	-	-
Current year funds used for tangible capital assets	(130,112)	-	130,112	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	-	-	-	-	-
Annual amortization expense	465,643	-	(465,643)	-	-
Capital long-term debt repaid	(83,766)	-	83,766	-	-
CHANGE IN ACCUMULATED SURPLUS	(956)	(82,053)	(61,765)	(144,674)	499,414
BALANCE, END OF YEAR	214,441	3,461,061	11,009,204	14,684,706	14,829,380

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, 2017

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
COST:								
BALANCE, BEGINNING OF YEAR	331,912	948,149	5,544,041	14,973,063	650,290	214,102	22,661,557	22,098,616
Acquisition of tangible capital assets	-	-	-	-	197,915	-	197,915	303,966
Construction-in-progress	-	50,302	-	71,895	-	-	122,197	409,688
Disposal of tangible capital assets	-	-	-	-	(76,000)	-	(76,000)	(150,713)
Write down of tangible capital assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	331,912	998,451	5,544,041	15,044,958	772,205	214,102	22,905,669	22,661,557
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	312,421	1,695,380	8,430,368	606,620	164,994	11,209,783	10,880,481
Annual amortization	-	48,502	110,430	276,893	15,731	14,087	465,643	449,567
Accumulated amortization on disposals	-	-	-	-	(76,000)	-	(76,000)	(120,265)
BALANCE, END OF YEAR	-	360,923	1,805,810	8,707,261	546,351	179,081	11,599,426	11,209,783
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	331,912	637,528	3,738,231	6,337,697	225,854	35,021	11,306,243	11,451,774
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	331,912	635,728	3,848,661	6,542,695	43,670	49,108	11,451,774	

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, 2017

	Budget (Unaudited)	2017	2016
	\$	\$	\$
TAXATION			
Real property taxes	1,399,250	1,399,007	1,342,665
Linear property taxes	36,610	36,610	44,550
Government grants in place of property taxes	9,591	9,591	9,725
Special assessments and local improvement taxes	3,358	4,711	5,121
	1,448,809	1,449,919	1,402,061
REQUISITIONS			
Alberta School Foundation Fund	242,084	242,084	232,013
Heart River Seniors Foundation	13,470	13,470	13,034
	255,554	255,554	245,047
NET MUNICIPAL TAXES	1,193,255	1,194,365	1,157,014

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

Schedule 4

SCHEDULE OF GOVERNMENT TRANSFERS

For the Year Ended December 31, 2017

	Budget (Unaudited)	2017	2016
	\$	\$	\$
TRANSFERS FOR OPERATING			
Federal Government	20,058	15,489	27,511
Provincial Government - conditional	286,149	283,868	302,566
- unconditional	-	-	-
Local Government	63,763	71,717	55,534
	369,970	371,074	385,611
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	186,000	69,595	592,996
Local Government	-	-	-
	186,000	69,595	592,996
TOTAL GOVERNMENT TRANSFERS	555,970	440,669	978,607

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, 2017

	Budget (Unaudited)	2017	2016
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	1,035,876	1,040,889	959,715
Contracted and general services	759,036	764,556	692,592
Materials, goods and utilities (Note 20)	818,705	798,855	795,073
Provision for allowance	8,000	8,000	-
Transfer to other governments	50,732	50,732	58,533
Transfers to local boards and agencies	50,349	50,349	42,212
Transfers to individuals and organizations	37,928	48,287	48,091
Bank charges and short-term interest	1,000	798	874
Interest on long-term debt (Note 10)	18,228	17,750	17,895
Amortization of tangible capital assets	444,311	465,643	449,567
Loss on disposal of tangible capital assets	20,000	-	30,448
Other expenditures	11,000	11,426	1,519
	3,255,165	3,257,285	3,096,519

See accompanying schedules and notes to the financial statements.

Schedule 6

**TOWN OF FALHER
SCHEDULE OF SEGMENTED DISCLOSURE**

For the Year Ended December 31, 2017

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation Culture	Other	Total 2017
	\$	\$	\$	\$	\$	\$	\$
REVENUE							
Net municipal taxes	1,189,654	-	3,742	969	-	-	1,194,365
User fees and sales of goods	19,076	928	16,767	777,281	70,604	40,737	925,393
Government transfers for operating	280	125	400	45,000	56,026	269,243	371,074
Penalties and costs on taxes	22,593	-	-	-	-	-	22,593
Franchise and concession contracts	125,316	-	-	-	-	-	125,316
Licenses, permits and fines	8,725	9,722	-	-	-	1,025	19,472
Investment income	52,502	-	2,300	-	-	-	54,802
Rentals	6,961	4,984	-	-	143,530	7,300	162,775
Drawn from allowances	-	-	-	-	-	-	-
Gain on disposal of tangible capital assets	-	-	4,050	-	-	-	4,050
Other revenues	65,086	-	-	2,138	32,325	13,325	112,674
	1,490,193	15,759	27,259	825,388	302,485	331,630	2,992,714
EXPENSES							
Salaries, wages and benefits	329,068	-	237,896	44,451	228,624	200,850	1,040,889
Contracted and general services	110,837	17,263	79,562	223,765	150,803	182,326	764,556
Purchases from other governments	-	-	-	-	-	-	-
Materials, goods and utilities	15,424	5,672	110,517	517,923	141,497	7,822	798,855
Provision for allowance	8,000	-	-	-	-	-	8,000
Transfers to other governments	-	50,732	-	-	-	-	50,732
Transfers to local boards and agencies	-	-	21,933	-	-	28,416	50,349
Transfers to individuals and organizations	-	-	5,475	-	24,598	18,214	48,287
Bank charges and short-term interest	798	-	-	-	-	-	798
Interest on long-term debt (Note 8)	-	-	1,129	4,135	12,486	-	17,750
Other expenditures	11,426	-	-	-	-	-	11,426
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-
	475,553	73,667	456,512	790,274	558,008	437,628	2,791,642
Net revenue before amortization and transfers for capital	1,014,640	(57,908)	(429,253)	35,114	(255,523)	(105,998)	201,072
Amortization	(6,434)	(2,900)	(194,755)	(110,962)	(148,161)	(2,431)	(465,643)
Organization transfers for capital	-	-	-	-	50,302	-	50,302
Contributed assets	-	-	-	-	-	-	-
Government transfers for capital	-	-	69,595	-	-	-	69,595
NET REVENUE (SHORTFALL)	1,008,206	(60,808)	(554,413)	(75,848)	(353,382)	(108,429)	(144,674)

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

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, 2017

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, 2017

1. SIGNIFICANT ACCOUNTING POLICIES - CON'T

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:

	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, 2017

2. CASH AND TEMPORARY INVESTMENTS

	2017	2016
	\$	\$
Cash	185	160
Current bank accounts	166,162	183,066
Savings - other	60,915	99,291
Temporary investments - term deposits	267,485	609,714
	494,747	892,231

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 \$365,160 (2016: \$7,650) received from the provincial, federal, local government and local organizations held exclusively for specific projects. Interest earned of \$0 (2016: \$0) 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

	2017	2016
	\$	\$
Current taxes and grants in place of taxes	27,895	32,102
Arrears taxes	188,329	195,494
	216,224	227,596
Less: Allowance for doubtful accounts	46,899	38,899
	169,325	188,697

4. TRADE AND OTHER RECEIVABLES

	2017	2016
	\$	\$
Local improvement levies	138,848	150,427
Accrued interest	24,021	25,689
Trade accounts	37,054	99,790
Utility accounts	61,378	62,298
	261,301	338,204

Local improvement levies of \$11,993 are to be received in 2018 with the balance of \$126,855 to be received in the years 2019 to 2029.

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

For the Year Ended December 31, 2017

5. INVESTMENTS

	2017		2016	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Long-term deposits (A.T.B.)	1,909,250	1,909,250	1,788,398	1,788,398
Long-term deposits (Vision C.U.)	1,150,967	1,150,967	328,936	328,936
ACFA share	10	10	10	10
Equity in A.A.M.D.&C.	-	-	-	-
Equity held in Vision Credit Union	8,627	8,627	8,353	8,353
Equity held in New Horizon Co-op	3,198	3,198	3,114	3,114
	3,072,052	3,072,052	2,128,811	2,128,811

Term deposits (Vision Credit Union) have effective interest of 1.6% and matures on March 17, 2018 to September 9, 2018.

Term deposits (A.T.B) have effective interest rates ranging from 1.80% to 2.13% and mature on dates between July 4, 2018 to September 25, 2019.

6. OTHER FINANCIAL ASSETS

	2017	2016
	\$	\$
Requisition under-levy - education taxes	-	-

7. DEBT CHARGES RECOVERABLE

	2017	2016
	\$	\$
Current debt charges recoverable	18,641	17,586
Non-current debt charges recoverable	19,759	38,400
	38,400	55,986

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. The debenture was repaid fully by the Town in 2017, but the 2018 and 2019 payments will be recovered from The Smoky River Water Management Commission.

	Principal	Interest	Total
2018	18,641	2,304	20,945
2019	19,759	1,185	20,944
2020	-	-	-
	38,400	3,489	41,889

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

For the Year Ended December 31, 2017

8. DEFERRED REVENUE

	2017	2016
	\$	\$
Provincial government transfers		
Federal Gas Tax Fund	-	-
Municipal Sustainability Initiative	340,160	-
	340,160	-
Interest earned on deferred government transfers	-	-
Local government transfers	-	7,500
Prepaid property tax revenue	702	46
Prepaid licenses and other fees	7,400	6,005
Prepaid rental	350	350
Restricted donations	25,000	150
Requisition over-levy	-	-
	373,612	14,051

Provincial, federal, local, interest and restricted donations funding as per above \$365,160 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 \$365,160 held exclusively for these projects (refer Note 2).

9. EMPLOYEE BENEFIT OBLIGATIONS

	2017	2016
	\$	\$
Sick pay benefits obligations	10,467	10,392
Vacation and overtime	51,555	46,906
	62,022	57,298

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, 2017

10. LONG-TERM DEBT

	2017	2016
	\$	\$
Debentures:		
Supported by general tax levies	335,439	380,805
Supported by special levies	-	-
Supported by debt charges recoverable	-	55,986
Supported by utility rates	-	-
	335,439	436,791
Current portion of long-term debt	46,808	62,952

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2018	46,808	12,297	59,105
2019	48,309	10,796	59,105
2020	49,871	9,234	59,105
2021	51,496	7,609	59,105
2022	32,421	5,983	38,404
Thereafter	106,534	8,678	115,212
	335,439	54,597	390,036

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 1.2625% to 4.569 % per annum and matures in periods 2021 to 2025. The average annual interest rate is 4.45% for 2017 (4.76% for 2016). Debenture debt is issued on the credit and security of the Town of Falher at large.

Interest on long-term debt amounted to \$17,750 (2016 - \$17,875).

The town's total cash payments for interest in 2017 were \$19,429 (2016 - \$18,015).

TOWN OF FALHER
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

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:

	2017	2016
	\$	\$
Total debt limit	4,564,524	4,504,406
Total debt	297,039	380,805
Amount of debt limit unused	4,267,485	4,123,601
Debt servicing limit	760,754	750,734
Debt servicing	38,160	59,105
Amount of debt servicing above limit	722,594	691,629

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

	2017	2016
Net Book Value	\$	\$
Land	331,912	331,912
Land improvements	587,226	635,728
Construction in progress - playground equipment	50,302	-
Buildings	3,738,231	3,848,661
Engineered Structures		
Roadway system	2,154,284	2,306,293
Construction in progress - road projects	481,583	409,688
Storm sewer system	820,278	835,500
Water distribution system	1,742,898	1,782,584
Wastewater treatment system	1,138,654	1,208,630
Machinery and equipment	225,854	43,670
Vehicles	35,021	49,108
	11,306,243	11,451,774

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016
	\$	\$
Tangible capital assets (Schedule 2)	22,905,669	22,661,557
Accumulated amortization (Schedule 2)	(11,599,426)	(11,209,783)
Long-term debt (Note 10)	(335,439)	(436,791)
Debt charges recoverable (Note 7)	38,400	55,986
	11,009,204	11,070,969

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

For the Year Ended December 31, 2017

14. ACCUMULATED SURPLUS

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

	2017	2016
	\$	\$
Unrestricted surplus (deficit)	214,441	215,297
Restricted surplus		
Council	19,263	19,263
Administration	69,779	84,600
Fire services (operations)	72,712	73,500
Ambulance and first aid	53,539	55,689
Roads, streets and storm sewers	337,217	303,217
Common services	1,516	4,000
By-law enforcement	24,377	10,000
Wastewater operations	111,792	105,624
Waste management	130,869	69,365
Water supply and distribution (operations)	485,293	458,443
F.C.S.S.	45,509	73,164
Cemetery	13,753	14,913
Planning, subdivision and development	103,000	103,000
Community services and physician recruitment	120,906	115,855
Recreation (facilities operations)	399,910	416,474
Library operations	26,763	27,650
Contingency (mill rate stabilization)	492,032	490,417
Administration (capital)	25,131	24,131
Fire services (capital)	84,104	86,604
Common services (equipment replacement)	187,500	142,000
Roads and streets (capital projects)	322,123	482,123
Water distribution (capital)	170,308	170,308
Wastewater (capital)	27,000	27,000
Waste management (capital)	-	71,609
Recreation (capital)		
- recreation complex	1,000	-
- park equipment	43,289	41,789
- swimming pool	10,000	10,000
- recreation programs	55,000	55,000
- campground	7,376	7,376
Library (capital)	-	-
Equity in tangible capital assets	11,009,204	11,070,969
	14,684,706	14,829,380

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

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)	2017 Total	2016 Total
Mayor:				
BUCHINSKI, Donna	13,610	459	14,069	13,716
Councillors:				
BRAITHWAITE, Gary	8,025	236	8,261	6,877
BROWN, Lindsay	4,865	87	4,952	5,131
DROUIN, Bradley	1,690	46	1,736	-
LAUZE, Robert	1,650	52	1,702	-
LIMOGES, Rene	7,152	204	7,356	5,555
PRIMEAU, Sandra	5,403	153	5,556	6,684
ST. LAURENT, Marie	1,280	29	1,309	3,419
TURNQUIST, Geoffrey	1,450	29	1,479	-
	45,125	1,295	46,420	41,382
Chief Administrative Officer:				
PARKER, Adele	106,139	21,246	127,385	117,298
	151,264	22,541	173,805	158,680

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, 2017

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.

	2017	2016
	\$	\$
Share of assets (17.5%)	53,559	57,805
Share of liabilities (17.5%)	(962)	(962)
	52,597	56,843
Total revenues	24,000	24,000
Total expenditures	(14,791)	(14,482)
	9,209	9,518
Share of surplus (deficit) for the year ended Dec. 31 (17.5%)	1,612	1,666

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 \$120 plus G.S.T. as per a 2016 office equipment lease. The agreement will expire in November, 2020. Total payments remaining including G.S.T. as of December 31, 2017 equal \$1,436.

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, 2017

20. 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 \$38,400 (2016: \$55,986) debenture plus interest. During the year, the Town of Falher paid \$507,700 (2016: \$519,185) to the Smoky River Regional Water Management Commission for the purchase of water. A total amount of \$1,400 (2016: \$0) was received from the commission for office rental. A total amount of \$3,870 (2016: \$3,820) was received from the commission for administration services provided by the town. The trade accounts receivable include \$161 (2016: \$802) which is due from the commission. Included in the town's accounts payable is an amount of \$33,663 (2016: \$47,286) due to the commission for the purchase of water consumed in December.

During the year, the Town of Falher paid \$85,027 (2016: \$76,890) to the Smoky River Regional Waste Management Commission for waste collection services and tipping fees. A total amount of \$9,200 (2016: \$9,100) was received from the commission for administration services provided by the town. Other amounts totaling \$16,180 (2016: \$10,806) were received by the Town of Falher from the commission for labor and equipment services. The trade accounts receivable include \$642 (2016: \$1,316) which is due from the commission. Included in the town's accounts payable is an amount of \$7,136 (2016: \$6,315) 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

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. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.