

SYLVAIN & COMPANY

TOWN OF FALHER

Financial Statements

For the Year Ended December 31, 2018



CPA

CHARTERED
PROFESSIONAL
ACCOUNTANTS

TOWN OF FALHER
CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

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SYLVAIN & COMPANY

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council TOWN OF FALHER

Opinion

We have audited the consolidated financial statements of TOWN OF FALHER (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2018, and the results of its operations, changes in net financial assets (debt) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the TOWN OF FALHER as at December 31, 2018, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

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Independent Auditor's Report to the Members of Council TOWN OF FALHER (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the municipality's debt limit can be found in note 11.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 15.

Falher, AB
April 8, 2019


CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF FALHER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	2018	2017
FINANCIAL ASSETS	\$	\$
Cash and temporary investments (Note 2)	730,143	494,747
Receivables		
Taxes and grants in place of taxes (Note 3)	203,672	169,325
From other governments	25,716	5,981
Trade and other (Note 4 & 20)	255,494	261,301
Land held for resale inventory	244,949	264,655
Investments (Note 5)	2,204,478	3,072,052
Other financial assets (Note 6)	-	-
Debt charge recoverable (Note 7)	19,759	38,400
	3,684,211	4,306,461

LIABILITIES

Accounts payable and accrued liabilities (Note 20)	123,479	127,647
Deposit liabilities	71,085	69,524
Deferred revenue (Note 8)	42,346	373,612
Employee benefit obligations (Note 9)	67,465	62,022
Long-term debt (Note 10)	288,631	335,439
	593,006	968,244

NET FINANCIAL ASSETS (DEBT)

3,091,205 3,338,217

NON-FINANCIAL ASSETS

Tangible capital assets (Note 12)	12,015,083	11,306,243
Inventory for consumption	2,605	2,605
Prepaid expenses	78	37,641
	12,017,766	11,346,489

ACCUMULATED SURPLUS (Schedule 1 and Note 14)

15,108,971 14,684,706

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, 2018

	Budget (Unaudited)	2018	2017
REVENUE	\$	\$	\$
Net municipal taxes (Schedule 3)	1,234,096	1,222,028	1,194,365
User fees and sales of goods	918,338	934,623	925,393
Government transfers for operating (Schedule 4)	460,952	315,404	371,074
Penalties and costs on taxes	24,000	21,897	22,593
Franchise and concession contracts	126,700	119,737	125,316
Investment income	45,000	69,290	54,802
Licenses, permits and fines	18,625	19,065	19,472
Rentals	150,285	149,763	162,775
Drawn from allowances	-	-	-
Gain on disposal of tangible capital assets	-	2,000	4,050
Other revenues	96,678	146,353	112,874
Total Revenue	3,074,674	3,000,160	2,992,714
EXPENSES			
Council and other legislative	63,090	63,601	62,309
General administration	473,757	426,965	425,155
Fire fighting and protective services	62,407	57,547	66,641
By-law enforcement	9,500	8,851	9,924
Common services	191,357	198,406	192,286
Roads, streets, walks, lighting	471,081	534,158	402,839
Airport	21,152	21,152	21,933
Storm sewers and drainage	46,082	31,477	28,734
Water supply and distribution	631,187	626,604	592,895
Wastewater treatment and disposal	161,825	148,864	195,083
Waste management	129,460	133,243	113,259
Family and community support services	290,196	291,126	319,608
Physician recruitment	5,396	11,202	7,325
Cemetery	8,350	19,921	4,031
Land use planning, zoning and development	42,573	42,273	41,794
Economic development and community services	74,431	58,423	62,959
Subdivision land and development	540	384	4,341
Parks and recreation	775,122	773,821	677,502
Culture: library	26,914	26,449	28,667
Total Expenses	3,484,420	3,474,467	3,257,285
EXCESS (SHORTFALL) OF REVENUE OVER			
EXPENSES - BEFORE OTHER	(409,746)	(474,307)	(264,571)
OTHER			
Contributed assets	-	-	-
Organization transfers for capital	-	87,544	50,302
Government transfers for capital (Schedule 4)	186,000	811,028	69,595
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	(223,746)	424,265	(144,674)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	14,684,706	14,684,706	14,829,380
ACCUMULATED SURPLUS, END OF YEAR	14,460,960	15,108,971	14,684,706

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, 2018

	Budget (Unaudited)	2018	2017
	\$	\$	\$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	(223,746)	424,265	(144,674)
Acquisition of tangible capital assets	(387,325)	(1,287,419)	(320,112)
Contributed tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	-	52,245	4,050
Amortization of tangible capital assets	465,643	511,851	465,643
(Gain) loss on sale of tangible capital assets	-	14,483	(4,050)
	78,318	(708,840)	145,531
Acquisition of supplies inventories	(53,070)	(59,770)	(47,091)
Acquisition of prepaid assets	(52,362)	(52,014)	(83,893)
Use of supplies inventories	53,070	59,770	47,922
Use of prepaid assets	89,926	89,577	54,920
	37,564	37,563	(28,142)
INCREASE (DECREASE) IN NET ASSETS	(107,864)	(247,012)	(27,285)
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	3,338,217	3,338,217	3,365,502
NET FINANCIAL ASSETS (DEBT), END OF YEAR	3,230,353	3,091,205	3,338,217

See accompanying schedules and notes to the financial statements.

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

For the Year Ended December 31, 2018

	2018	2017
		(Note 22)
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	424,265	(144,674)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	511,851	465,643
Gain (loss) on disposal of tangible capital assets	14,483	(4,050)
Tangible capital assets received as contributions	-	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(34,347)	19,372
Decrease (increase) in from other government receivables	(19,735)	234,755
Decrease (increase) in trade and other receivables	5,807	76,903
Decrease (increase) in land held for resale	19,706	(34,365)
Decrease (increase) in other financial assets	-	-
Decrease (increase) in inventory of materials and supplies	-	831
Decrease (increase) in prepaid expenses	37,563	(28,973)
Increase (decrease) in accounts payable and accrued liabilities	(4,168)	(9,366)
Increase (decrease) in deposit liabilities	1,561	5,224
Increase (decrease) in deferred revenue	(331,266)	359,561
Increase (decrease) in employee benefit obligations	5,443	4,724
Cash provided by operating transactions	631,163	945,585
CAPITAL		
Acquisition of tangible capital assets	(1,287,419)	(320,112)
Sale of tangible capital assets	52,245	4,050
Cash provided by (applied to) capital transactions	(1,235,174)	(316,062)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	319,756	(340,160)
Decrease (increase) in investments	867,574	(943,241)
Cash provided by (applied to) investing transactions	1,187,330	(1,283,401)
FINANCING		
Debt charges recoverable	18,641	17,586
Long-term debt issued	-	-
Long-term debt repaid	(46,808)	(101,352)
Cash provided by (applied to) financing transactions	(28,167)	(83,766)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	555,152	(737,644)
CASH AND CASH EQUIVALENTS (SHORTAGE), BEGINNING OF YEAR	154,587	892,231
CASH AND CASH EQUIVALENTS (SHORTAGE), END OF YEAR	709,739	154,587
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	730,143	494,747
Less: restricted portion of cash and temporary investments (Note 2)	(20,404)	(340,160)
	709,739	154,587

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, 2018

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR (RESTATED)	214,441	3,461,061	11,009,204	14,684,706	14,829,380
Excess (deficiency) of revenues over expenses	424,265	-	-	424,265	(144,674)
Unrestricted funds designated for future use	(199,430)	199,430	-	-	-
Restricted funds used for operations	251,199	(251,199)	-	-	-
Restricted funds used for tangible capital assets	-	(260,975)	260,975	-	-
Current year funds used for tangible capital assets	(1,026,444)	-	1,026,444	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	66,728	-	(66,728)	-	-
Annual amortization expense	511,851	-	(511,851)	-	-
Capital long-term debt repaid	(28,167)	-	28,167	-	-
CHANGE IN ACCUMULATED SURPLUS	2	(312,744)	737,007	424,265	(144,674)
BALANCE, END OF YEAR	214,443	3,148,317	11,746,211	15,108,971	14,684,706

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, 2018

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
COST:								
BALANCE, BEGINNING OF YEAR	331,912	998,451	5,544,041	15,044,958	772,205	214,102	22,905,669	22,661,557
Acquisition of tangible capital assets	2,582	64,235	31,618	1,178,160	10,824	-	1,287,419	197,915
Construction-in-progress	-	-	-	-	-	-	-	122,197
Disposal of tangible capital assets	(2,012)	-	(50,488)	(370,311)	(8,555)	-	(431,366)	(76,000)
Write down of tangible capital assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	332,482	1,062,686	5,525,171	15,852,807	774,474	214,102	23,761,722	22,905,669
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	360,923	1,805,810	8,707,261	546,351	179,081	11,599,426	11,209,783
Annual amortization	-	56,137	109,736	315,294	16,597	14,087	511,851	465,643
Accumulated amortization on disposals	-	-	(2,525)	(353,558)	(8,555)	-	(364,638)	(76,000)
BALANCE, END OF YEAR	-	417,060	1,913,021	8,668,997	554,393	193,168	11,746,639	11,599,426
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	332,482	645,626	3,612,150	7,183,810	220,081	20,934	12,015,083	11,306,243
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	331,912	637,528	3,738,231	6,337,697	225,854	35,021	11,306,243	

See accompanying schedules and notes to the financial statements.

SCHEDULE OF PROPERTY AND OTHER TAXES

For the Year Ended December 31, 2018

	Budget (Unaudited)	2018	2017
	\$	\$	\$
TAXATION			
Real property taxes	1,449,516	1,449,525	1,399,007
Linear property taxes	38,887	38,887	36,610
Government grants in place of property taxes	9,981	9,981	9,591
Special assessments and local improvement taxes	16,290	4,297	4,711
	<u>1,514,674</u>	<u>1,502,690</u>	<u>1,449,919</u>
REQUISITIONS			
Alberta School Foundation Fund	264,834	264,834	242,084
Designated Industrial Property	-	84	-
Heart River Seniors Foundation	15,744	15,744	13,470
	<u>280,578</u>	<u>280,662</u>	<u>255,554</u>
NET MUNICIPAL TAXES	<u>1,234,096</u>	<u>1,222,028</u>	<u>1,194,365</u>

See accompanying schedules and notes to the financial statements.

SCHEDULE OF GOVERNMENT TRANSFERS

For the Year Ended December 31, 2018

	Budget (Unaudited)	2018	2017
	\$	\$	\$
TRANSFERS FOR OPERATING			
Federal Government	14,510	12,574	15,489
Provincial Government - conditional	347,207	231,478	283,868
- unconditional	-	-	-
Local Government	99,235	71,352	71,717
	460,952	315,404	371,074
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	186,000	811,028	69,595
Local Government	-	-	-
	186,000	811,028	69,595
TOTAL GOVERNMENT TRANSFERS	646,952	1,126,432	440,669

See accompanying schedules and notes to the financial statements.

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT

For the Year Ended December 31, 2018

	Budget (Unaudited)	2018	2017
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	1,115,815	1,088,813	1,040,889
Contracted and general services	905,694	859,549	764,556
Materials, goods and utilities (Note 20)	835,405	836,986	798,855
Provision for allowance	-	-	8,000
Transfer to other governments	51,891	51,891	50,732
Transfers to local boards and agencies	42,704	42,704	50,349
Transfers to individuals and organizations	45,971	48,319	48,287
Bank charges and short-term interest	1,000	1,142	798
Interest on long-term debt (Note 10)	12,297	12,170	17,750
Amortization of tangible capital assets	465,643	511,851	465,643
Loss on disposal of tangible capital assets	8,000	16,483	-
Other expenditures	-	4,559	11,426
	3,484,420	3,474,467	3,257,285

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER
SCHEDULE OF SEGMENTED DISCLOSURE

Schedule 6

For the Year Ended December 31, 2018

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation Culture	Other	Total 2018
	\$	\$	\$	\$	\$	\$	\$
REVENUE							
Net municipal taxes	1,217,731	-	3,499	798	-	-	1,222,028
User fees and sales of goods	20,080	1,055	7,047	804,283	54,824	47,334	934,623
Government transfers for operating	1,000	-	-	17,000	37,961	259,443	315,404
Penalties and costs on taxes	21,897	-	-	-	-	-	21,897
Franchise and concession contracts	119,737	-	-	-	-	-	119,737
Licenses, permits and fines	7,692	7,848	-	-	-	3,525	19,065
Investment income	65,720	-	3,570	-	-	-	69,290
Rentals	6,960	-	1,680	-	134,365	6,758	149,763
Drawn from allowances	-	-	-	-	-	-	-
Gain on disposal of tangible capital assets	2,000	-	-	-	-	-	2,000
Other revenues	6,598	5	514	1,735	126,143	11,358	146,353
	1,469,415	8,908	16,310	823,816	353,293	328,418	3,000,160
EXPENSES							
Salaries, wages and benefits	342,387	500	266,005	49,105	252,334	178,482	1,088,813
Contracted and general services	116,357	11,075	124,103	206,263	212,484	189,267	859,549
Materials, goods and utilities	14,629	32	126,994	543,681	140,409	11,241	836,986
Provision for allowance	-	-	-	-	-	-	-
Transfers to other governments	-	51,891	-	-	-	-	51,891
Transfers to local boards and agencies	-	-	21,152	-	-	21,552	42,704
Transfers to individuals and organizations	4,958	-	-	-	25,911	17,450	48,319
Bank charges and short-term interest	1,142	-	-	-	-	-	1,142
Interest on long-term debt (Note 8)	-	-	900	-	11,270	-	12,170
Other expenditures	2,492	-	-	-	-	2,067	4,559
Loss on disposal of tangible capital assets	-	-	12,882	-	-	3,601	16,483
	481,965	63,498	552,036	799,049	642,408	423,660	2,962,616
Net revenue before amortization and transfers for capital							
Amortization	(8,599)	(2,900)	(233,155)	(109,663)	(155,797)	(1,737)	(511,851)
Organization transfers for capital	-	-	30,851	-	56,693	-	87,544
Contributed assets	-	-	-	-	-	-	-
Government transfers for capital	-	-	811,028	-	-	-	811,028
NET REVENUE (SHORTFALL)	978,851	(57,490)	72,998	(84,896)	(388,219)	(96,979)	424,265

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

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, 2018

1. SIGNIFICANT ACCOUNTING POLICIES - CON'T

d) Cash and Temporary Investments

Cash and cash equivalents consists of cash on hand, balances with banks and deposits with an original maturity date of purchase of three months or less. Because of the short term maturity of these investments, their carrying value approximates fair value.

e) 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.

f) 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.

g) 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.

h) 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.

i) 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.

j) 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, 2018

1. SIGNIFICANT ACCOUNTING POLICIES - CON'T

k) 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.

l) 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, 2018

2. CASH AND TEMPORARY INVESTMENTS

	2018	2017
	\$	\$
Cash	160	185
Current bank accounts	212,976	166,162
Savings - other	155,037	60,915
Temporary investments - term deposits	361,970	267,485
	730,143	494,747

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 \$20,404 (2017: \$340,160) received from the provincial, federal, local government and local organizations held exclusively for specific capital projects (note 8).

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2018	2017
	\$	\$
Current taxes and grants in place of taxes	44,350	27,895
Arrears taxes	206,221	188,329
	250,571	216,224
Less: Allowance for doubtful accounts	46,899	46,899
	203,672	169,325

4. TRADE AND OTHER RECEIVABLES

	2018	2017
	\$	\$
Local improvement levies	126,855	138,848
Accrued interest	16,911	24,021
Trade accounts	51,672	37,054
Utility accounts	60,056	61,378
	255,494	261,301

Local improvement levies of \$12,425 are to be received in 2019 with the balance of \$114,430 to be received in the years 2020 to 2029.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

5. INVESTMENTS

	2018		2017	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Long-term deposits (A.T.B.)	1,425,860	1,425,860	1,909,250	1,909,250
Long-term deposits (Vision C.U.)	762,983	762,983	1,150,967	1,150,967
ACFA share	10	10	10	10
Equity in A.A.M.D.&C.	-	-	-	-
Equity held in Vision Credit Union	12,368	12,368	8,627	8,627
Equity held in New Horizon Co-op	3,257	3,257	3,198	3,198
	2,204,478	2,204,478	3,072,052	3,072,052

Term deposits (Vision Credit Union) have effective interest rates ranging from 2.3% to 2.39% and mature on June 29, 2019 to September 9, 2019.

Term deposits (A.T.B) have effective interest rates ranging from 1.80% to 2.13% and mature on dates between August 16, 2019 to September 25, 2019.

Council has designated funds of \$932,831 (2017: \$834,531) included in the above long-term deposits amounts for capital asset replacement (Note 14).

6. OTHER FINANCIAL ASSETS

	2018	2017
	\$	\$
Requisition under-levy - education taxes	-	-

7. DEBT CHARGES RECOVERABLE

	2018	2017
	\$	\$
Current debt charges recoverable	19,759	18,641
Non-current debt charges recoverable	-	19,759
	19,759	38,400

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
2019	19,759	1,185	20,944
2020	-	-	-
	19,759	1,185	20,944

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

8. DEFERRED REVENUE

	2018	2017
	\$	\$
Provincial government transfers		
Federal Gas Tax Fund	-	-
Municipal Sustainability Initiative - operating	15,113	-
Municipal Sustainability Initiative - capital	20,404	340,160
	35,517	340,160
Local government transfers	-	-
Prepaid property tax revenue	363	702
Prepaid licenses and other fees	6,160	7,400
Prepaid rental	306	350
Restricted donations	-	25,000
Requisition over-levy	-	-
	42,346	373,612

Provincial, federal, local and restricted donations funding as per above \$35,517 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 capital project advances are supported by cash temporary investments of \$0 (2017: \$340,160) held exclusively for these projects (refer Note 2).

9. EMPLOYEE BENEFIT OBLIGATIONS

	2018	2017
	\$	\$
Sick pay benefits obligations	12,055	10,467
Vacation and overtime	55,410	51,555
	67,465	62,022

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, 2018

10. LONG-TERM DEBT

	2018	2017
	\$	\$
Debentures:		
Supported by general tax levies	288,631	335,439
Supported by special levies	-	-
Supported by debt charges recoverable	-	-
Supported by utility rates	-	-
	288,631	335,439
Current portion of long-term debt	48,309	46,808

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
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
2023	33,920	4,484	38,404
Thereafter	72,614	4,194	76,808
	288,631	42,300	330,931

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 3.69% for 2018 (4.45% for 2017). Debenture debt is issued on the credit and security of the Town of Falher at large.

Interest on long-term debt amounted to \$12,169 (2017 - \$17,750).

The town's total cash payments for interest in 2018 were \$12,297 (2017 - \$19,429).

TOWN OF FALHER
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

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:

	2018	2017
	\$	\$
Total debt limit	4,631,556	4,564,524
Total debt	268,872	297,039
Amount of debt limit unused	4,362,684	4,267,485
Debt servicing limit	771,926	760,754
Debt servicing	38,161	38,160
Amount of debt servicing above limit	733,765	722,594

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

	2018	2017
Net Book Value		
	\$	\$
Land	332,482	331,912
Land improvements	645,626	587,226
Construction in progress - playground equipment	-	50,302
Buildings	3,612,150	3,738,231
Engineered Structures		
Roadway system	3,606,867	2,154,284
Construction in progress - road projects	-	481,583
Storm sewer system	805,055	820,278
Water distribution system	1,703,211	1,742,898
Wastewater treatment system	1,068,677	1,138,654
Machinery and equipment	220,081	225,854
Vehicles	20,934	35,021
	12,015,083	11,306,243

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	2018	2017
	\$	\$
Tangible capital assets (Schedule 2)	23,761,722	22,905,669
Accumulated amortization (Schedule 2)	(11,746,639)	(11,599,426)
Long-term debt (Note 10)	(288,631)	(335,439)
Debt charges recoverable (Note 7)	19,759	38,400
	11,746,211	11,009,204

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

For the Year Ended December 31, 2018

14. ACCUMULATED SURPLUS

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

	2018	2017
	\$	\$
Unrestricted surplus (deficit)	214,443	214,441
Restricted surplus (operating)		
Council	17,863	19,263
Administration	82,279	89,779
Fire services (operations)	71,712	72,712
Ambulance and first aid	51,445	53,539
Roads, streets and storm sewers	171,000	337,217
Common services	1,516	1,516
By-law enforcement	28,277	24,377
Wastewater operations	133,921	111,792
Waste management	110,136	130,869
Water supply and distribution (operations)	485,108	485,293
F.C.S.S.	53,491	45,509
Cemetery	17,731	13,753
Planning, subdivision and development	102,500	103,000
Community services and physician recruitment	125,930	120,906
Recreation (facilities operations)	355,179	399,910
Library operations	26,763	26,763
Contingency (mill rate stabilization)	478,935	492,032
Restricted surplus (capital)		
Administration (capital)	18,131	25,131
Fire services (capital)	84,104	84,104
Common services (equipment replacement)	233,500	187,500
Roads and streets (capital projects)	184,123	322,123
Water distribution (capital)	177,008	170,308
Wastewater (capital)	27,000	27,000
Recreation (capital)		
- recreation complex	2,000	1,000
- park equipment	36,289	43,289
- swimming pool	10,000	10,000
- recreation programs	55,000	55,000
- campground	7,376	7,376
Equity in tangible capital assets	11,746,211	11,009,204
	15,108,971	14,684,706

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

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)	2018 Total	2017 Total
Mayor:				
BUCHINSKI, Donna	14,135	454	14,589	14,069
Councillors:				
BELL, James	405	5	410	-
BRAITHWAITE, Gary	775	9	784	8,261
BROWN, Lindsay	7,890	194	8,084	4,952
DROUIN, Bradley	4,140	80	4,220	1,736
LAUZE, Robert	4,350	80	4,430	1,702
LIMOGES, Rene	8,765	253	9,018	7,356
PRIMEAU, Sandra	-	-	-	5,556
ROY, Ryan	3,370	81	3,451	-
ST. LAURENT, Marie	-	-	-	1,309
TURNQUIST, Geoffrey	5,730	159	5,889	1,479
	49,560	1,315	50,875	46,420
Chief Administrative Officer:				
PARKER, Adele	106,935	22,268	129,203	127,385
	156,495	23,583	180,078	173,805

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.

3) The designated officer for the position of municipal assessor is Compass Assessments Consultants Inc. (Aaron Steblyk). Contracted services of \$15,041 (2017 - \$15,064) were paid to Compass Assessments Consultants Incorporated.

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, 2018

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 is registered in the trustee's name (Town of McLennan) as specified in the declaration of trust. The co-owners venture operates under the name of Smoky River Regional Committee. The primary purpose of this agreement is to provide and maintain a building in McLennan to rent a residential dwelling to doctors and their families. This investment is accounted for by the proportionate consolidation method.

	2018	2017
	\$	\$
Share of assets (18.0%)	50,721	53,559
Share of liabilities (18.0%)	(1,052)	(962)
	49,669	52,597
Total revenues	21,550	24,000
Total expenditures	(38,143)	(14,791)
	(16,593)	9,209
Share of surplus (deficit) for the year ended Dec. 31 (17.64%)	(2,927)	1,612

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 \$124 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, 2018 equal \$914.

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, 2018

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 7, debt charges recoverable, the Smoky River Regional Water Management Commission has assumed remaining payments of the \$19,759 (2017: \$38,400) debenture plus interest. During the year, the Town of Falher paid \$534,320 (2017: \$507,700) to the Smoky River Regional Water Management Commission for the purchase of water. A total amount of \$1,680 (2017: \$1,400) was received from the commission for office rental. A total amount of \$3,965 (2017: \$3,870) was received from the commission for administration services provided by the town. The trade accounts receivable include \$443 (2017: \$161) which is due from the commission. Included in the town's accounts payable is an amount of \$39,626 (2017: \$33,663) due to the commission for the purchase of water consumed in December.

During the year, the Town of Falher paid \$102,675 (2017: \$85,027) to the Smoky River Regional Waste Management Commission for waste collection services and tipping fees. A total amount of \$6,510 (2017: \$9,200) was received from the commission for administration services provided by the town. Other amounts totaling \$36,338 (2017: \$16,180) were received by the Town of Falher from the commission for labor and equipment services. The trade accounts receivable include \$0 (2017: \$642) which is due from the commission. Included in the town's accounts payable is an amount of \$8,428 (2017: \$7,136) 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. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to correspond with the current year presentation.

23. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.