

TOWN OF FALHER
Consolidated Financial Statements
For the Year Ended December 31, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING


To the Members of Council of Town of Falher

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management.

The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards. They necessarily include some amounts that are based on the best estimates and judgements of management.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of consolidated financial statements.

JDP Wasserman & Associates have been appointed by the Members of Council of Town of Falher to express an opinion on the consolidated financial statements.


James Bell
Chief Administrative Officer

Falher, AB
March 15, 2021



JDP Wasserman & Associates *
Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council of Town of Falher

Opinion

We have audited the consolidated financial statements of Town of Falher (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations and accumulated surplus, changes in net financial assets 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 as at December 31, 2020, and the results of its operations, changes in net financial assets and 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 Town in accordance with ethical requirements that are relevant to our audit of 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.

Other Matter

The consolidated financial statements of the Town for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 14, 2020.

Responsibilities of Management and Those Charged with Governance for the Consolidated 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 consolidated financial statements, management is responsible for assessing the Town'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 liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (Members of Council) are responsible for overseeing the Town's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Town'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 Town'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 consolidated 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 Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

Edmonton, Alberta
March 15, 2021


ISRAEL WASSERMAN PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANT

TOWN OF FALHER
Consolidated Statement of Financial Position
As at December 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 2,587,368	\$ 2,334,970
Accounts receivable (Note 3)	445,457	446,880
Investments (Note 4)	819,783	795,354
Land held for resale	252,646	252,646
	<u>4,105,254</u>	<u>3,829,850</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	278,064	228,873
Deposit liabilities	70,005	70,406
Deferred revenue (Note 6)	194,230	70,003
Long-term debt (Note 7)	190,451	240,322
	<u>732,750</u>	<u>609,604</u>
NET FINANCIAL ASSETS	<u>3,372,504</u>	<u>3,220,246</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	-	87
Inventory for consumption	3,775	4,006
Tangible capital assets (Schedule 1)	11,775,592	11,586,194
	<u>11,779,367</u>	<u>11,590,287</u>
ACCUMULATED SURPLUS (Note 9)	<u>\$ 15,151,871</u>	<u>\$ 14,810,533</u>

CONTINGENCY (Note 16)

ON BEHALF OF COUNCIL:

_____ Mayor

_____ Councillor

TOWN OF FALHER
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2020

	2020 (Budget) (Note 13)	2020 (Actual)	2019 (Actual)
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 1,305,806	\$ 1,290,531	\$ 1,261,605
User fees and sales of goods	918,102	818,978	915,683
Government transfers for operating (Schedule 4)	384,498	537,920	488,554
Other revenues	62,200	140,701	106,109
Franchise and concession contracts (Note 11)	127,500	130,187	124,874
Rentals	145,868	104,344	157,606
Investment income	45,000	50,787	68,389
Penalties and costs on taxes	24,500	29,251	25,081
Licenses and permits	12,925	13,655	12,790
Fines	1,000	1,467	1,746
	<u>3,027,399</u>	<u>3,117,821</u>	<u>3,162,437</u>
EXPENSES			
Parks and recreation	564,336	722,534	696,454
Water supply and distribution	544,350	563,414	552,483
General administration	500,593	544,863	469,047
Roads, streets, walks, lighting	311,051	435,868	423,603
Common services	235,908	252,484	331,942
Family and community support services	290,233	251,571	301,677
Wastewater treatment and disposal	175,805	219,289	158,787
Waste management	144,320	143,480	142,316
Fire fighting and protective services	60,412	55,424	55,469
Economic development and community services	46,692	46,697	111,984
Land use planning, zoning and development	45,355	45,053	43,594
Council and legislative	52,357	44,538	52,284
Storm sewers and drainage	46,237	40,972	30,002
Culture	27,599	27,652	43,926
Airport	22,200	21,152	21,152
Cemetery	12,700	9,860	20,190
Bylaw enforcement	7,500	6,937	8,364
Physician recruitment	4,853	5,485	6,841
Subdivision land and development	540	267	-
	<u>3,093,041</u>	<u>3,437,540</u>	<u>3,470,115</u>
ANNUAL SURPLUS BEFORE OTHER	<u>(65,642)</u>	<u>(319,719)</u>	<u>(307,678)</u>
OTHER REVENUES (EXPENSES)			
Government transfers for capital (Schedule 4)	-	671,143	8,410
Other contributions for capital	-	-	3,797
Loss on disposal of tangible capital assets	-	(10,086)	(2,967)
	<u>-</u>	<u>661,057</u>	<u>9,240</u>
ANNUAL SURPLUS (DEFICIT)	<u>(65,642)</u>	<u>341,338</u>	<u>(298,438)</u>
ACCUMULATED SURPLUS - TO BEGIN YEAR	<u>14,810,533</u>	<u>14,810,533</u>	<u>15,108,971</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 14,744,891</u>	<u>\$ 15,151,871</u>	<u>\$ 14,810,533</u>

The accompanying notes form an integral part of these consolidated financial statements.
JDP Wasserman & Associates /// Chartered Professional Accountants

TOWN OF FALHER
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2020

	2020 (Budget) (Note 13)	2020 (Actual)	2019 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ (65,642)	\$ 341,338	\$ (298,438)
Amortization of tangible capital assets	-	506,788	516,304
Purchase of tangible capital assets	(455,000)	(706,272)	(90,382)
Loss on disposal of tangible capital assets	-	10,086	2,967
Use (acquisition) of prepaid expenses	-	87	(9)
Use (acquisition) of inventory for consumption	-	231	(1,401)
	(455,000)	(189,080)	427,479
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(520,642)	152,258	129,041
NET FINANCIAL ASSETS - BEGINNING OF YEAR	3,220,246	3,220,246	3,091,205
NET FINANCIAL ASSETS - END OF YEAR	\$ 2,699,604	\$ 3,372,504	\$ 3,220,246

TOWN OF FALHER
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ 341,338	\$ (298,438)
Item not affecting cash and cash equivalents:		
Amortization of tangible capital assets	506,788	516,304
Loss on disposal of tangible capital assets	10,086	2,967
	<u>858,212</u>	<u>220,833</u>
Changes in non-cash working capital:		
Accounts receivable	1,423	38,002
Land held for resale	-	(7,697)
Accounts payable and accrued liabilities	49,191	37,929
Deposit liabilities	(401)	(679)
Deferred revenue	124,227	27,657
Prepaid expenses	87	(9)
Inventory for consumption	231	(1,401)
	<u>174,758</u>	<u>93,802</u>
Cash flow from operating activities	<u>1,032,970</u>	<u>314,635</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(706,272)	(90,382)
Net change in investments	(24,429)	1,409,124
Cash flow from (used by) investing activities	<u>(730,701)</u>	<u>1,318,742</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(49,871)	(48,309)
Debt charges recoverable	-	19,759
Cash flow used by financing activities	<u>(49,871)</u>	<u>(28,550)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>252,398</u>	<u>1,604,827</u>
Cash and cash equivalents - beginning of year	<u>2,334,970</u>	<u>730,143</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,587,368</u>	<u>\$ 2,334,970</u>

TOWN OF FALHER
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2020

(Schedule 1)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2020	2019
COST								
BALANCE, BEGINNING OF YEAR	\$ 332,482	\$ 1,066,482	\$ 5,488,081	\$ 15,861,337	\$ 815,606	\$ 234,801	\$ 23,798,789	\$ 23,761,722
Purchase of tangible capital assets	-	-	-	706,272	-	-	706,272	90,382
Disposal of tangible capital assets	-	-	-	(391,665)	-	-	(391,665)	(53,315)
BALANCE, END OF YEAR	332,482	1,066,482	5,488,081	16,175,944	815,606	234,801	24,113,396	23,798,789
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	473,211	1,988,940	8,984,291	571,431	194,722	12,212,595	11,746,639
Amortization of tangible capital assets	-	54,717	110,081	319,621	16,400	5,969	506,788	516,304
Disposal of tangible capital assets	-	-	-	(381,579)	-	-	(381,579)	(50,348)
BALANCE, END OF YEAR	-	527,928	2,099,021	8,922,333	587,831	200,691	12,337,804	12,212,595
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 332,482	\$ 538,554	\$ 3,389,060	\$ 7,253,611	\$ 227,775	\$ 34,110	\$ 11,775,592	\$ 11,586,194
 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, 2019	 \$ 332,482	 \$ 593,271	 \$ 3,499,141	 \$ 6,877,046	 \$ 244,175	 \$ 40,079		 \$ 11,586,194

Included in the net book value of tangible capital assets is work-in-progress of \$Nil (2019 - \$8,530).

TOWN OF FALHER
Schedule of Equity in Tangible Capital Assets **(Schedule 2)**
For the Year Ended December 31, 2020

	2020	2019
BALANCE, BEGINNING OF YEAR	\$ 11,345,872	\$ 11,726,452
Purchase of tangible capital assets	706,272	90,382
Amortization of tangible capital assets	(506,788)	(516,304)
Repayment of long-term debt	49,871	48,309
Cost of tangible capital assets disposed of	(391,665)	(53,315)
Accumulated amortization of tangible capital assets disposed	381,579	50,348
BALANCE, END OF YEAR	\$ 11,585,141	\$ 11,345,872
Equity in tangible capital assets is comprised of:		
Net book value of tangible capital assets <i>(Schedule 1)</i>	\$ 11,775,592	\$ 11,586,194
Long-term debt <i>(Note 7)</i>	(190,451)	(240,322)
	\$ 11,585,141	\$ 11,345,872

TOWN OF FALHER
Schedule of Property Taxes
For the Year Ended December 31, 2020

(Schedule 3)

	2020 (Budget) (Note 13)	2020 (Actual)	2019 (Actual)
TAXATION			
Real property taxes	\$ 1,511,135	\$ 1,513,539	\$ 1,482,278
Designated industrial property taxes	56,628	56,628	39,479
Government grants in lieu of property taxes	10,813	10,813	10,276
Local improvement taxes	15,069	2,581	3,706
	<u>1,593,645</u>	<u>1,583,561</u>	<u>1,535,739</u>
REQUISITIONS			
Alberta School Foundation Fund	259,919	265,313	259,441
Heart River Seniors Foundation	27,717	27,717	14,484
Designated Industrial Property	203	-	209
	<u>287,839</u>	<u>293,030</u>	<u>274,134</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 1,305,806</u>	<u>\$ 1,290,531</u>	<u>\$ 1,261,605</u>

TOWN OF FALHER
Schedule of Government Transfers
For the Year Ended December 31, 2020

(Schedule 4)

	2020 (Budget) (Note 13)	2020 (Actual)	2019 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 233,213	\$ 369,186	\$ 355,099
Local government	80,375	89,422	78,611
Federal government	70,910	79,312	54,844
	<u>384,498</u>	<u>537,920</u>	<u>488,554</u>
TRANSFERS FOR CAPITAL			
Provincial government	-	671,143	8,410
TOTAL GOVERNMENT TRANSFERS	<u>\$ 384,498</u>	<u>\$ 1,209,063</u>	<u>\$ 496,964</u>

TOWN OF FALHER
Schedule of Expenses by Object
For the Year Ended December 31, 2020

(Schedule 5)

	2020 (Budget) (Note 13)	2020 (Actual)	2019 (Actual)
Salaries, wages and benefits	\$ 1,229,816	\$ 1,133,066	\$ 1,109,958
Contracted and general services	918,100	899,081	827,969
Materials, goods and utilities	800,778	739,953	788,847
Amortization of tangible capital assets	-	506,788	516,304
Transfers to other governments	52,582	52,582	52,749
Transfers to individuals and organizations	34,082	49,320	92,008
Transfers to local boards and agencies	47,348	46,314	67,360
Interest on long-term debt	9,235	9,100	10,665
Bank charges and short-term interest	1,100	1,336	1,154
Provision for allowances	-	-	3,101
	<u>\$ 3,093,041</u>	<u>\$ 3,437,540</u>	<u>\$ 3,470,115</u>

TOWN OF FALHER
Schedule of Segmented Disclosure
For the Year Ended December 31, 2020

(Schedule 6)

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	2020
REVENUES								
Net municipal property taxes	\$ 439,811	\$ 50,520	\$ 411,550	\$ 798	\$ -	\$ 82,050	\$ 305,802	\$ 1,290,531
User fees and sales of goods	20,867	-	3,412	747,136	30,098	-	17,465	818,978
Government transfers for operating	12,000	6,564	94,353	44,300	250,985	5,000	124,718	537,920
Other revenues	52,645	-	10,000	1,963	23,440	212	52,441	140,701
Franchise and concession contracts	130,187	-	-	-	-	-	-	130,187
Rentals	6,960	-	2,040	-	672	3,005	91,667	104,344
Investment income	50,787	-	-	-	-	-	-	50,787
Penalties and costs on taxes	29,251	-	-	-	-	-	-	29,251
Licenses and permits	8,775	3,810	-	-	-	1,070	-	13,655
Fines	-	1,467	-	-	-	-	-	1,467
	751,283	62,361	521,355	794,197	305,195	91,337	592,093	3,117,821
EXPENSES								
Salaries, wages and benefits	382,044	-	328,484	45,621	156,144	853	219,920	1,133,066
Contracted and general services	180,144	9,739	59,047	304,717	62,871	56,449	226,114	899,081
Materials, goods and utilities	15,178	40	112,296	466,182	27,247	3,002	116,008	739,953
Transfers to other governments	-	52,582	-	-	-	-	-	52,582
Transfer to individuals & organizations	2,101	-	-	-	20,021	5,871	21,327	49,320
Transfers to local boards and agencies	-	-	21,152	-	-	25,162	-	46,314
Interest on long-term debt	-	-	376	-	-	-	8,724	9,100
Bank charges and short-term interest	1,336	-	-	-	-	-	-	1,336
	580,803	62,361	521,355	816,520	266,283	91,337	592,093	2,930,752
NET REVENUE (DEFICIT) BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS								
	170,480	-	-	(22,323)	38,912	-	-	187,069
Amortization of tangible capital assets	8,600	-	229,121	109,664	632	680	158,091	506,788
NET REVENUE (DEFICIT)	\$ 161,880	\$ -	\$ (229,121)	\$ (131,987)	\$ 38,280	\$ (680)	\$ (158,091)	\$ (319,719)

TOWN OF FALHER
Schedule of Segmented Disclosure
For the Year Ended December 31, 2019

(Schedule 7)

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	2019
REVENUES								
Net municipal property taxes	\$ 1,257,899	\$ -	\$ 3,091	\$ 615	\$ -	\$ -	\$ -	\$ 1,261,605
User fees and sales of goods	19,585	1,083	4,414	777,301	57,507	19	55,774	915,683
Government transfers for operating	-	-	111,151	36,637	248,367	35,741	56,658	488,554
Rentals	6,962	-	2,040	-	3,672	2,978	141,954	157,606
Franchise and concession contracts	124,874	-	-	-	-	-	-	124,874
Other revenues	31,645	-	11,017	1,699	15,949	4,764	41,035	106,109
Investment income	68,269	-	120	-	-	-	-	68,389
Penalties and costs on taxes	25,081	-	-	-	-	-	-	25,081
Licenses and permits	8,000	3,680	-	-	-	1,110	-	12,790
Fines	-	1,746	-	-	-	-	-	1,746
	1,542,315	6,509	131,833	816,252	325,495	44,612	295,421	3,162,437
EXPENSES								
Salaries, wages and benefits	332,291	-	302,070	49,098	187,760	192	238,547	1,109,958
Contracted and general services	135,838	11,085	121,037	201,618	126,422	74,237	157,732	827,969
Materials, goods and utilities	11,074	-	124,578	493,206	2,245	2,976	154,768	788,847
Transfer to individuals & organizations	29,275	-	-	-	11,648	30,543	20,542	92,008
Transfers to local boards and agencies	-	-	21,152	-	-	46,208	-	67,360
Transfers to other governments	-	52,749	-	-	-	-	-	52,749
Interest on long-term debt	-	-	630	-	-	-	10,035	10,665
Provision for allowances	3,101	-	-	-	-	-	-	3,101
Bank charges and short-term interest	1,154	-	-	-	-	-	-	1,154
	512,733	63,834	569,467	743,922	328,075	154,156	581,624	2,953,811
NET REVENUE (DEFICIT) BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS	1,029,582	(57,325)	(437,634)	72,330	(2,580)	(109,544)	(286,203)	208,626
Amortization of tangible capital assets	8,599	-	237,232	109,665	632	1,421	158,755	516,304
NET REVENUE (DEFICIT)	\$ 1,020,983	\$ (57,325)	\$ (674,866)	\$ (37,335)	\$ (3,212)	\$ (110,965)	\$ (444,958)	\$ (307,678)

The accompanying notes form an integral part of these consolidated financial statements.
JDP Wasserman & Associates /// Chartered Professional Accountants

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

1. ACCOUNTING POLICIES

The consolidated financial statements of Town of Falher (the "Town") are the representations of management, prepared in accordance with Canadian public sector accounting standards. 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 expenses, and cash flows of the reporting entity. The entity is comprised of all the organizations that are owned or controlled by the Town and are, therefore, accountable to Town Council for the administration of their financial affairs and resources. Included with the Town are Smoky River Family and Community Support Services and Smoky River Regional Committee.

The schedule of property taxes also includes requisitions that are not part of the reporting entity.

The consolidated financial statements exclude trust assets that are administered for the benefit of external parties.

(b) Basis of Accounting

The Town follows the accrual basis of accounting. Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

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 are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the Town has met any eligibility criteria, and reasonable estimates of the amounts can be made.

(c) Cash and Cash Equivalents

Cash and cash equivalents includes items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have a maturity of 90 days or less at acquisition.

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized 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. Gains on principal protected notes are recognized as income when sold.

(e) Land Held 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 leveling 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 the respective function.

(continues)

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

1. ACCOUNTING POLICIES (continued)

(f) 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 annual surplus (deficit), provides the Consolidated Statement of Changes in Net Financial Assets for the year (page 7).

(g) Inventories for Consumption

Inventories of materials and supplies for consumption are recorded at the lower of cost or net realizable value with cost determined using the average cost method.

(h) 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:

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

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue. Tangible capital assets received or purchased as part of a restructuring transaction are recorded at carrying value at the date of receipt and also are recorded as revenue.

Tangible capital assets under construction are not amortized until the asset is substantially complete and available for productive use. Those tangible capital assets not meeting this criteria are categorized as work-in-progress as of year-end.

Works of art for display are not recorded as tangible capital assets but are disclosed.

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.

(i) Landfill Closure and Post-Closure Liability

The Town is a member of Smoky River Regional Waste Management Commission (the "Commission") and, pursuant to the *Alberta Environmental Protection and Enhancement Act*, the Town may be required to fund its share of the closure of the landfill site and provide for its share of the post-closure costs of the facility. By statute, the Commission must provide for these costs and it is the opinion of the Town's management that the Commission has sufficient reserves to cover the future closure and post-closure.

(continues)

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

1. ACCOUNTING POLICIES (*continued*)

(j) Contaminated Sites

Contaminated sites are defined as a result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. A liability for remediation on contaminated sites is recognized, net of any recoveries, when an environmental standard exists, contamination exceeds the environmental standard, the Town is directly responsible for or accepts responsibility for the liability, future economic benefits will be given up, and a reasonable estimate of the liability can be made.

(k) Tax Revenue

Property taxes are recognized as revenue in the year they are levied.

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the Town and are recognized as revenue in the year in which the local improvement project is completed.

(l) Requisition Over-levies and Under-levies

Requisition 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. If the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(m) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards 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 consolidated financial statements, and the reported amounts of revenues and expenses during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

The Town has used estimates to determine accrued liabilities, tangible capital asset useful lives and well as provisions made for allowances for amounts receivable or any provision for impairment.

(n) New Accounting Standards not yet Adopted

Effective for fiscal years beginning on or after April 1, 2022, *PS3280 Asset Retirement Obligations* provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

Effective for fiscal years beginning on or after April 1, 2023, *PS3400 Revenue* provides guidance on how to account for and report revenue, and specifically, it addresses revenue arising from exchange transactions and unilateral transactions.

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

2. CASH AND CASH EQUIVALENTS

	2020	2019
Notice on demand bank accounts	\$ 1,650,652	\$ 1,828,320
Bank accounts	936,506	506,490
Petty cash	210	160
	<u>\$ 2,587,368</u>	<u>\$ 2,334,970</u>

Notice on demand bank accounts bear interest at rates ranging from 1.50% to 2.45% and require notice to access funds of between 31 and 90 days.

3. ACCOUNTS RECEIVABLE

	2020	2019
Taxes and grants in place of taxes	\$ 267,295	\$ 258,777
Local improvement tax	91,399	103,887
Utility accounts	59,937	60,720
Trade and other	35,885	44,122
Receivable from other governments	21,934	17,648
Goods and Services Tax recoverable	15,356	4,256
Accrued interest	3,651	7,470
	<u>495,457</u>	<u>496,880</u>
Less: allowance for doubtful accounts	<u>(50,000)</u>	<u>(50,000)</u>
	<u>\$ 445,457</u>	<u>\$ 446,880</u>

4. INVESTMENTS

	2020	2019
Term deposits	\$ 798,420	\$ 780,836
Vision Credit Union common shares	17,904	11,131
Other	3,459	3,387
	<u>\$ 819,783</u>	<u>\$ 795,354</u>

Term deposits bear interest at rates ranging from 1.05% to 1.10% per annum and mature at dates between June 28, 2021 - September 8, 2021.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Trade and other	\$ 214,073	\$ 167,895
Employee earned vacation, sick and overtime liability	63,575	60,427
Accrued interest on long-term debt	416	551
	<u>\$ 278,064</u>	<u>\$ 228,873</u>

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

6. DEFERRED REVENUE

Deferred revenue represents unspent externally restricted funds that are related to expenses that will be incurred in a future period.

	2020	2019
Municipal Stimulus Program	\$ 118,457	\$ -
Federal Gas Tax Fund	29,832	-
Other	27,079	58,009
Municipal Sustainability Initiative - Capital	14,750	11,994
Municipal Sustainability Initiative - Operating	4,112	-
	<u>\$ 194,230</u>	<u>\$ 70,003</u>

7. LONG-TERM DEBT

Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$19,202 including interest at 4.5690% maturing December 2025.

	2020	2019
	\$ 169,945	\$ 199,565

Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$10,351 including interest at 1.2625% maturing September 2021.

	2020	2019
	20,506	40,757
	<u>\$ 190,451</u>	<u>\$ 240,322</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 51,496	\$ 7,609	\$ 59,105
2022	32,421	5,983	38,404
2023	33,920	4,484	38,404
2024	35,487	2,917	38,404
2025	37,127	1,277	38,404
	<u>\$ 190,451</u>	<u>\$ 22,270</u>	<u>\$ 212,721</u>

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

8. 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 be disclosed as follows:

	2020	2019
Total debt limit	\$ 4,676,732	\$ 4,749,351
Total debt	(190,451)	(240,322)
Total debt limit remaining	\$ 4,486,281	\$ 4,509,029
Service on debt limit	\$ 779,455	\$ 791,559
Service on debt	(59,105)	(59,105)
Total service on debt limit remaining	\$ 720,350	\$ 732,454

The debt limit is calculated at 1.5 times revenues of the Town (as defined by Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenues. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the stability of the Town. Rather, the consolidated financial statements must be interpreted as a whole.

9. ACCUMULATED SURPLUS

	2020	2019
Unrestricted surplus	\$ 214,443	\$ 214,443
Restricted surplus		
Operating reserves (Note 10)	2,360,599	2,401,526
Capital reserves (Note 10)	991,688	848,692
Equity in tangible capital assets (Schedule 2)	11,585,141	11,345,872
	\$ 15,151,871	\$ 14,810,533

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

10. RESTRICTED SURPLUS

	2020	2019
Operating Reserves		
Contingency (mill rate stabilization)	\$ 534,591	\$ 518,025
Water supply and distribution	528,053	519,942
Roads, streets, and storm sewers	236,269	237,000
Recreation	230,920	321,247
Wastewater treatment and disposal	121,435	158,068
Family and community support services	120,110	64,750
Waste management	96,940	103,464
Community services and physician recruitment	96,134	95,798
Planning, subdivision and development	91,500	96,500
General administration	77,260	79,179
Fire services	70,712	70,712
Bylaw enforcement	56,005	28,277
Ambulance and first aid	45,181	47,275
Library	26,413	26,413
Council and legislative	24,463	25,063
Cemetery	2,797	8,297
Common services	1,816	1,516
	<u>\$ 2,360,599</u>	<u>\$ 2,401,526</u>
Capital Reserves		
Roads and streets	\$ 293,232	\$ 211,236
Common services (equipment replacement)	286,448	230,448
Water supply and distribution	177,008	177,008
Fire services	84,104	84,104
Recreation (programs)	55,000	55,000
Wastewater treatment and disposal	27,000	27,000
General administration	23,131	20,631
Recreation (park equipment)	22,389	21,889
Recreation (swimming pool)	10,000	10,000
Recreation (campground)	7,376	7,376
Recreation (recreation complex)	6,000	4,000
	<u>\$ 991,688</u>	<u>\$ 848,692</u>

11. FRANCHISE AND CONCESSION CONTRACTS

Disclosure of franchise fees under each utility franchise agreement entered into by the Town as required by Alberta Regulation 313/2000 is as follows:

	2020 (Budget) (Note 13)	2020 (Actual)	2019 (Actual)
ATCO electricity	\$ 71,221	\$ 72,722	\$ 69,754
ATCO natural gas	56,279	57,465	55,120
	<u>\$ 127,500</u>	<u>\$ 130,187</u>	<u>\$ 124,874</u>

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

12. SALARIES AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for Town officials, the Town Chief Administrative Officer and designated officers are required by Alberta Regulation 313/200 is as follows:

	Salary (1)	Benefits (2)	2020	2019
Mayor Buchinski	\$ 13,705	\$ 711	\$ 14,416	\$ 12,226
Councillors				
Limoges	9,270	422	9,692	7,698
Brown	5,535	187	5,722	5,820
Lauze	4,620	145	4,765	5,724
Morin	2,900	81	2,981	-
Drouin	2,310	32	2,342	3,440
Roy	2,025	65	2,090	3,795
Bell	-	-	-	5,416
Chief Administrative Officer				
Parker	111,302	22,425	133,727	136,419
	\$ 151,667	\$ 24,068	\$ 175,735	\$ 180,538

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

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition. Benefits also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

13. BUDGET FIGURES

	2020 (Budget)	2020 (Actual)
Annual surplus	\$ (65,642)	\$ 341,338
Amortization of tangible capital assets	-	506,788
Acquisition of tangible capital assets	(455,000)	(706,272)
Repayment of long-term debt	(49,870)	(49,871)
Transfers between functions	2,841	-
Net transfers (to) from reserves:		(102,069)
Funding acquisition of tangible capital assets	455,000	-
Other net transfers from reserves	291,273	-
Other net transfers to reserves	(178,602)	-
Results of operations	\$ -	\$ (10,086)

The budget data presented in these consolidated financial statements is based on the operating and capital budgets approved by Town Council on May 6, 2020. The chart above reconciles the approved financial plan to the figures reported in these consolidated financial statements.

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

14. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Town is not exposed to significant market or liquidity risk arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

The Town is exposed to credit risk with respect to its accounts receivable. Credit risk arises from the possibility that customers, tax and rate-payers may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of customers, tax and rate-payers minimizes the Town's credit risk.

15. SEGMENTED INFORMATION

The Town provides a range of services to its citizens. 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 consolidated financial statements as disclosed in *Note 1*. For additional information see the Schedules of Segmented Disclosure (*Schedule 6 & Schedule 7*).

16. CONTINGENCY

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

17. GOVERNMENT PARTNERSHIP

A co-owners agreement between the Town, the Villages of Donnelly and Girouxville, the Town of McLennan and the Municipal District of Smoky River #130 was made on October 1, 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 the Town of McLennan to rent a residential dwelling to doctors and their families. This investment is accounted for by the proportionate consolidation method at the Town's portion of 18%.

	2020	2019
Share of assets	\$ 38,316	\$ 39,969
Share of liabilities	(793)	(882)
	<u>37,523</u>	<u>39,087</u>
Total revenues	20,400	20,400
Total expenses	(16,667)	(11,494)
Share of annual surplus for the year ended December 31, 2020	<u>\$ 672</u>	<u>\$ 1,603</u>

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

18. IMPACT OF COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization and on March 17, 2020 the Province of Alberta declared a public health emergency. COVID-19 had various operational and financial impacts on the Town in 2020, mainly with regards to decreased revenues and corresponding personnel and other operating expenses related to facilities and programs that were unable to operate, and increased government transfers revenues providing COVID-19 relief and recovery funding.

Management's opinion is that COVID-19 has not and will not have a significant financial impact on the Town. Overall, as government response is still ongoing and an end to the pandemic is indeterminable, an estimate of any future potential financial impact on the Town cannot be made at this time. However, many businesses and individuals in a vast array of sectors may continue to experience an economic loss due to COVID-19 which may have a financial impact on the Town.

19. COMPARATIVE FIGURES

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

20. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by Town Council and management.
