

SYLVAIN & COMPANY

TOWN OF FALHER

Financial Statements

For the Year Ended December 31, 2019



CPA

CHARTERED
PROFESSIONAL
ACCOUNTANTS

TOWN OF FALHER
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

CONTENTS

	<u>Page</u>
Management's Responsibility	2
Independent Auditor's Report	3-4
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations	6
Consolidated Statement of Changes in Net Financial Assets (Debt)	7
Consolidated Statement of Cash Flows	8
Schedule 1 - Schedule of Changes in Accumulated Surplus	9
Schedule 2 - Schedule of Tangible Capital Assets	10
Schedule 3 - Schedule of Property and Other Taxes	11
Schedule 4 - Schedule of Government Transfers	12
Schedule 5 - Schedule of Consolidated Expenses by Object	13
Schedule 6 - Schedule of Segmented Disclosure	14
Notes to the Financial Statements	15 - 26

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Town of Falher (the "Town") are the responsibility of management and have been approved by the Town's Council. The consolidated financial statements have been prepared in conformity with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada, using management's best estimates and judgments, where appropriate. In the opinion of management, these consolidated financial statements reflect fairly the consolidated financial position, the results of its consolidated financial activities and changes in consolidated financial position of the Town within reasonable limits of materiality.

A system of internal accounting and administrative controls is maintained by management to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that the financial records are properly maintained to provide accurate and reliable consolidated financial statements.

Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. Council carries out this responsibility through regular meetings with management throughout the year to review significant accounting and auditing matters.

These consolidated financial statements have been audited, in accordance with Canadian public sector accounting standards, by SYLVAIN & COMPANY, who were appointed by Council. SYLVAIN & COMPANY have full and unrestricted access to management and Council to discuss their audit and related findings. The Independent Auditor's Report outlining the scope of their examination and their opinion on the consolidated financial statements is presented on the following page.



Adele Parker, Chief Administrative Officer

April 14, 2020

SYLVAIN & COMPANY

Chartered Professional Accountants

Michel A. Sylvain, CPA, CGA*
Jean R. Sylvain, CPA, CGA*
Karen D. Lambert, CPA, CGA*

PO Box 5, 006 Central Ave NE
Falher, Alberta T0H 1M0
Telephone: (780) 837-2401
Facsimile: (780) 837-3434
Email: sylvainco@telus.net

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, 2019, 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, 2019, 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.

(Continues)

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.


CHARTERED PROFESSIONAL ACCOUNTANTS

Falher, AB
April 14, 2020

TOWN OF FALHER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	2019	2018
FINANCIAL ASSETS	\$	\$
Cash and temporary investments (Note 2)	2,334,970	730,143
Receivables		
Taxes and grants in place of taxes (Note 3)	208,777	203,672
From other governments	21,904	25,716
Trade and other (Note 4 & 20)	216,199	255,494
Land held for resale inventory	252,646	244,949
Investments (Note 5)	795,354	2,204,478
Other financial assets (Note 6)	-	-
Debt charge recoverable (Note 7)	-	19,759
	3,829,850	3,684,211

LIABILITIES

Accounts payable and accrued liabilities (Note 20)	168,446	123,479
Deposit liabilities	70,406	71,085
Deferred revenue (Note 8)	70,003	42,346
Employee benefit obligations (Note 9)	60,427	67,465
Long-term debt (Note 10)	240,322	288,631
	609,604	593,006

NET FINANCIAL ASSETS (DEBT)

3,220,246 **3,091,205**

NON-FINANCIAL ASSETS

Tangible capital assets (Note 12)	11,586,194	12,015,083
Inventory for consumption	4,006	2,605
Prepaid expenses	87	78
	11,590,287	12,017,766

ACCUMULATED SURPLUS (Schedule 1 and Note 14)

14,810,533 **15,108,971**

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, 2019

	Budget (Unaudited)	2019	2018
REVENUE	\$	\$	\$
Net municipal taxes (Schedule 3)	1,276,750	1,261,605	1,222,028
User fees and sales of goods	939,252	915,683	934,623
Government transfers for operating (Schedule 4)	413,147	488,554	315,404
Penalties and costs on taxes	23,000	25,081	21,897
Franchise and concession contracts	126,147	124,874	119,737
Investment income	45,000	68,389	69,290
Licenses, permits and fines	12,625	14,536	19,065
Rentals	154,813	157,606	149,763
Drawn from allowances	-	-	-
Gain on disposal of tangible capital assets	-	-	2,000
Other revenues	97,996	106,109	146,353
Total Revenue	3,088,730	3,162,437	3,000,160
EXPENSES			
Council and other legislative	59,517	52,284	63,601
General administration	519,618	469,047	426,965
Fire fighting and protective services	60,470	55,469	57,547
By-law enforcement	9,700	8,364	8,851
Common services	316,154	331,942	198,406
Roads, streets, walks, lighting	510,235	423,603	534,158
Airport	21,700	21,152	21,152
Storm sewers and drainage	61,459	30,002	31,477
Water supply and distribution	596,187	552,483	626,604
Wastewater treatment and disposal	179,188	158,787	148,864
Waste management	142,300	142,316	133,243
Family and community support services	279,565	301,677	291,126
Physician recruitment	5,088	6,841	11,202
Cemetery	14,038	20,190	19,921
Land use planning, zoning and development	43,596	43,594	42,273
Economic development and community services	84,486	114,951	58,423
Subdivision land and development	540	-	384
Parks and recreation	712,839	696,454	773,821
Culture: library	26,964	43,926	26,449
Total Expenses	3,643,644	3,473,082	3,474,467
EXCESS (SHORTFALL) OF REVENUE OVER			
EXPENSES - BEFORE OTHER	(554,914)	(310,645)	(474,307)
OTHER			
Contributed assets	-	-	-
Organization transfers for capital	-	3,797	87,544
Government transfers for capital (Schedule 4)	186,000	8,410	811,028
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	(368,914)	(298,438)	424,265
ACCUMULATED SURPLUS, BEGINNING OF YEAR	15,108,971	15,108,971	14,684,706
ACCUMULATED SURPLUS, END OF YEAR	14,740,057	14,810,533	15,108,971

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, 2019

	Budget (Unaudited)	2019	2018
	\$	\$	\$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	(368,914)	(298,438)	424,265
Acquisition of tangible capital assets	(124,100)	(90,382)	(1,287,419)
Contributed tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	-	-	52,245
Amortization of tangible capital assets	508,332	516,304	511,851
(Gain) loss on sale of tangible capital assets	8,000	2,967	14,483
	392,232	428,889	(708,840)
Acquisition of supplies inventories	(52,190)	(57,260)	(59,770)
Acquisition of prepaid assets	(50,042)	(50,104)	(52,014)
Use of supplies inventories	52,190	55,859	59,770
Use of prepaid assets	50,042	50,095	89,577
	-	(1,410)	37,563
INCREASE (DECREASE) IN NET ASSETS	23,318	129,041	(247,012)
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	3,091,205	3,091,205	3,338,217
NET FINANCIAL ASSETS (DEBT), END OF YEAR	3,114,523	3,220,246	3,091,205

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

	2019	2018 (Note 22)
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	(298,438)	424,265
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	516,304	511,851
Gain (loss) on disposal of tangible capital assets	2,967	14,483
Tangible capital assets received as contributions	-	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(5,105)	(34,347)
Decrease (increase) in from other government receivables	3,812	(19,735)
Decrease (increase) in trade and other receivables	39,295	5,807
Decrease (increase) in land held for resale	(7,697)	19,706
Decrease (increase) in other financial assets	-	-
Decrease (increase) in inventory of materials and supplies	(1,401)	-
Decrease (increase) in prepaid expenses	(9)	37,563
Increase (decrease) in accounts payable and accrued liabilities	44,967	(4,168)
Increase (decrease) in deposit liabilities	(679)	1,561
Increase (decrease) in deferred revenue	27,657	(331,266)
Increase (decrease) in employee benefit obligations	(7,038)	5,443
Cash provided by operating transactions	<u>314,635</u>	<u>631,163</u>
CAPITAL		
Acquisition of tangible capital assets	(90,382)	(1,287,419)
Sale of tangible capital assets	-	52,245
Cash provided by (applied to) capital transactions	<u>(90,382)</u>	<u>(1,235,174)</u>
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	(59,456)	319,756
Decrease (increase) in investments	1,409,124	867,574
Cash provided by (applied to) investing transactions	<u>1,349,668</u>	<u>1,187,330</u>
FINANCING		
Debt charges recoverable	19,759	18,641
Long-term debt issued	-	-
Long-term debt repaid	(48,309)	(46,808)
Cash provided by (applied to) financing transactions	<u>(28,550)</u>	<u>(28,167)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	1,545,371	555,152
CASH AND CASH EQUIVALENTS (SHORTAGE), BEGINNING OF YEAR	709,739	154,587
CASH AND CASH EQUIVALENTS (SHORTAGE), END OF YEAR	2,255,110	709,739
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	2,334,970	730,143
Less: restricted portion of cash and temporary investments (Note 2)	(79,860)	(20,404)
	<u>2,255,110</u>	<u>709,739</u>

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

Schedule 1

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

For the Year Ended December 31, 2019

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR (RESTATED)	214,443	3,148,317	11,746,211	15,108,971	14,684,706
Excess (deficiency) of revenues over expenses	(298,438)	-	-	(298,438)	424,265
Unrestricted funds designated for future use	(308,469)	308,469	-	-	-
Restricted funds used for operations	145,116	(145,116)	-	-	-
Restricted funds used for tangible capital assets	-	(61,452)	61,452	-	-
Current year funds used for tangible capital assets	(28,930)	-	28,930	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	2,967	-	(2,967)	-	-
Annual amortization expense	516,304	-	(516,304)	-	-
Capital long-term debt repaid	(28,550)	-	28,550	-	-
CHANGE IN ACCUMULATED SURPLUS	-	101,901	(400,339)	(298,438)	424,265
BALANCE, END OF YEAR	214,443	3,250,218	11,345,872	14,810,533	15,108,971

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, 2019

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$
COST:								
BALANCE, BEGINNING OF YEAR	332,482	1,062,686	5,525,171	15,852,807	774,474	214,102	23,761,722	22,905,669
Acquisition of tangible capital assets	-	3,796	-	8,530	41,132	36,924	90,382	1,287,419
Construction-in-progress	-	-	-	-	-	-	-	-
Disposal of tangible capital assets	-	-	(37,090)	-	-	(16,225)	(53,315)	(431,366)
Write down of tangible capital assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	332,482	1,066,482	5,488,081	15,861,337	815,606	234,801	23,798,789	23,761,722
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	417,060	1,913,021	8,668,997	554,393	193,168	11,746,639	11,599,426
Annual amortization	-	56,151	110,042	315,294	17,038	17,779	516,304	511,851
Accumulated amortization on disposals	-	-	(34,123)	-	-	(16,225)	(50,348)	(364,638)
BALANCE, END OF YEAR	-	473,211	1,988,940	8,984,291	571,431	194,722	12,212,595	11,746,639
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	332,482	593,271	3,499,141	6,877,046	244,175	40,079	11,586,194	12,015,083
2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	332,482	645,626	3,612,150	7,183,810	220,081	20,934	12,015,083	

See accompanying schedules and notes to the financial statements.

SCHEDULE OF PROPERTY AND OTHER TAXES

For the Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
	\$	\$	\$
TAXATION			
Real property taxes	1,490,243	1,482,278	1,449,525
Linear property taxes	39,468	39,479	38,887
Government grants in place of property taxes	10,276	10,276	9,981
Special assessments and local improvement taxes	16,290	3,706	4,297
	1,556,277	1,535,739	1,502,690
REQUISITIONS			
Alberta School Foundation Fund	264,834	259,441	264,834
Designated Industrial Property	209	209	84
Heart River Seniors Foundation	14,484	14,484	15,744
	279,527	274,134	280,662
NET MUNICIPAL TAXES	1,276,750	1,261,605	1,222,028

See accompanying schedules and notes to the financial statements.

SCHEDULE OF GOVERNMENT TRANSFERS

For the Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
	\$	\$	\$
TRANSFERS FOR OPERATING			
Federal Government	101,771	54,844	12,574
Provincial Government - conditional	227,441	355,099	231,478
- unconditional	-	-	-
Local Government	83,935	78,611	71,352
	413,147	488,554	315,404
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	186,000	8,410	811,028
Local Government	-	-	-
	186,000	8,410	811,028
TOTAL GOVERNMENT TRANSFERS	599,147	496,964	1,126,432

See accompanying schedules and notes to the financial statements.

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT

For the Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	1,168,654	1,109,958	1,088,813
Contracted and general services	980,844	822,907	859,549
Materials, goods and utilities (Note 20)	808,240	788,847	836,986
Provision for allowance	-	3,101	-
Transfer to other governments	52,749	52,749	51,891
Transfers to local boards and agencies	43,791	67,360	42,704
Transfers to individuals and organizations	61,138	92,008	48,319
Bank charges and short-term interest	1,100	1,154	1,142
Interest on long-term debt (Note 10)	10,796	10,665	12,170
Amortization of tangible capital assets	508,332	516,304	511,851
Loss on disposal of tangible capital assets	8,000	2,967	16,483
Other expenditures	-	5,062	4,559
	3,643,644	3,473,082	3,474,467

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER
SCHEDULE OF SEGMENTED DISCLOSURE

Schedule 6

For the Year Ended December 31, 2019

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation Culture	Other	Total 2019
	\$	\$	\$	\$	\$	\$	\$
REVENUE							
Net municipal taxes	1,257,899	-	3,091	615	-	-	1,261,605
User fees and sales of goods	19,585	1,083	4,414	777,301	55,774	57,526	915,683
Government transfers for operating	-	-	111,151	36,000	56,658	284,745	488,554
Penalties and costs on taxes	25,081	-	-	-	-	-	25,081
Franchise and concession contracts	124,874	-	-	-	-	-	124,874
Licenses, permits and fines	8,000	5,426	-	-	-	1,110	14,536
Investment income	68,269	-	120	-	-	-	68,389
Rentals	6,962	-	2,040	-	141,954	6,650	157,606
Drawn from allowances	-	-	-	-	-	-	-
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-
Other revenues	31,645	-	11,017	1,699	41,035	20,713	106,109
	1,542,315	6,509	131,833	815,615	295,421	370,744	3,162,437
EXPENSES							
Salaries, wages and benefits	332,291	-	302,070	49,098	238,547	187,952	1,109,958
Contracted and general services	130,776	11,085	121,037	201,618	157,732	200,659	822,907
Materials, goods and utilities	11,074	-	124,578	493,206	154,768	5,221	788,847
Provision for allowance	3,101	-	-	-	-	-	3,101
Transfers to other governments	-	52,749	-	-	-	-	52,749
Transfers to local boards and agencies	-	-	21,152	-	-	46,208	67,360
Transfers to individuals and organizations	29,275	-	-	-	20,542	42,191	92,008
Bank charges and short-term interest	1,154	-	-	-	-	-	1,154
Interest on long-term debt (Note 8)	-	-	630	-	10,035	-	10,665
Other expenditures	5,062	-	-	-	-	-	5,062
Loss on disposal of tangible capital assets	-	-	-	-	-	2,967	2,967
	512,733	63,834	569,467	743,922	581,624	485,198	2,956,778
Net revenue before amortization and transfers for capital							
	1,029,582	(57,325)	(437,634)	71,693	(286,203)	(114,454)	205,659
Amortization	(8,600)	-	(237,232)	(109,663)	(158,755)	(2,054)	(516,304)
Organization transfers for capital	-	-	-	-	3,797	-	3,797
Contributed assets	-	-	-	-	-	-	-
Government transfers for capital	-	-	8,410	-	-	-	8,410
NET REVENUE (SHORTFALL)	1,020,982	(57,325)	(666,456)	(37,970)	(441,161)	(116,508)	(298,438)

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

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, 2019

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, 2019

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, 2019

2. CASH AND TEMPORARY INVESTMENTS

	2019	2018
	\$	\$
Cash	160	160
Current bank accounts	159,835	212,976
Savings - other	346,655	155,037
Temporary investments	1,828,320	361,970
	2,334,970	730,143

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 \$11,994 (2018: \$20,404) received from the provincial, federal, local government and local organizations held exclusively for specific capital projects (note 8).

Council has designated funds of \$848,692 (2018: \$932,831) for capital asset replacement (Note 14). Long-term investments (Note 5) is providing funding of \$780,826 (2018: \$932,831) for these capital reserve. The remaining balance of \$67,866 (2018: \$0) is being funded from temporary investments and savings above.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2019	2018
	\$	\$
Current taxes and grants in place of taxes	37,032	44,350
Arrears taxes	221,745	206,221
	258,777	250,571
Less: Allowance for doubtful accounts	50,000	46,899
	208,777	203,672

4. TRADE AND OTHER RECEIVABLES

	2019	2018
	\$	\$
Local improvement levies	103,887	126,855
Accrued interest	7,470	16,911
Trade accounts	44,122	51,672
Utility accounts	60,720	60,056
	216,199	255,494

Local improvement levies of \$11,940 are to be received in 2020 with the balance of \$91,947 to be received in the years 2021 to 2029.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

5. INVESTMENTS

	2019		2018	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Long-term deposits (A.T.B.)	-	-	1,425,860	1,425,860
Long-term deposits (Vision C.U.)	780,836	780,836	762,983	762,983
ACFA share	10	10	10	10
Equity in A.A.M.D.&C.	-	-	-	-
Equity held in Vision Credit Union	11,131	11,131	12,368	12,368
Equity held in New Horizon Co-op	3,377	3,377	3,257	3,257
	795,354	795,354	2,204,478	2,204,478

Term deposits (Vision Credit Union) have effective interest rates ranging from 2.2% to 2.3% and mature on June 28, 2020 to September 8, 2020.

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

Council has designated funds of \$780,826 (2018: \$932,831) included in the above long-term deposits amounts for capital asset replacement (Note 14).

6. OTHER FINANCIAL ASSETS

	2019	2018
	\$	\$
Requisition under-levy - education taxes	-	-

7. DEBT CHARGES RECOVERABLE

	2019	2018
	\$	\$
Current debt charges recoverable	-	19,759
Non-current debt charges recoverable	-	-
	-	19,759

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 matured on July 15, 2019. The debenture was repaid fully by the Town in 2017, but the 2018 and 2019 payments were recovered from The Smoky River Water Management Commission.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

8. DEFERRED REVENUE

	2019	2018
	\$	\$
Provincial government transfers		
Community Initiatives	20,458	-
Energy Efficient Alberta	1,028	-
Federal Gas Tax Fund	-	-
Municipal Sustainability Initiative - operating	-	15,113
Municipal Sustainability Initiative - capital	11,994	20,404
	33,480	35,517
Local government transfers	5,282	-
Prepaid property tax revenue	1,463	363
Prepaid licenses and other fees	7,330	6,160
Prepaid rental	306	306
Restricted contributions and donations	17,616	-
Requisition over-levy	4,526	-
	70,003	42,346

Provincial, federal, local and restricted donations funding as per above \$55,349 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 \$11,994 (2018: \$20,404) held exclusively for these projects (refer Note 2).

9. EMPLOYEE BENEFIT OBLIGATIONS

	2019	2018
	\$	\$
Sick pay benefits obligations	12,301	12,055
Vacation and overtime	48,126	55,410
	60,427	67,465

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, 2019

10. LONG-TERM DEBT

	2019	2018
	\$	\$
Debentures:		
Supported by general tax levies	240,322	288,631
Supported by special levies	-	-
Supported by debt charges recoverable	-	-
Supported by utility rates	-	-
	240,322	288,631
Current portion of long-term debt	49,871	48,309

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
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
2024	35,487	2,917	38,404
Thereafter	37,127	1,277	38,404
	240,322	31,504	271,826

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 3.74% for 2019 (3.69% for 2018). Debenture debt is issued on the credit and security of the Town of Falher at large.

Interest on long-term debt amounted to \$10,665 (2018 - \$12,169).

The town's total cash payments for interest in 2019 were \$12,796 (2018 - \$12,297).

TOWN OF FALHER
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

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:

	2019	2018
		Restated
	\$	\$
Total debt limit	4,749,351	4,631,556
Total debt	240,322	268,872
Amount of debt limit unused	4,509,029	4,362,684
Debt servicing limit	791,559	771,926
Debt servicing	59,105	59,105
Amount of debt servicing above limit	732,454	712,821

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

	2019	2018
Net Book Value		
	\$	\$
Land	332,482	332,482
Land improvements	593,271	645,626
Buildings	3,499,141	3,612,150
Engineered Structures		
Roadway system	3,424,988	3,606,867
Construction in progress - road projects	-	-
Storm sewer system	789,834	805,055
Water distribution system	1,663,524	1,703,211
Wastewater treatment system	998,700	1,068,677
Machinery and equipment	244,175	220,081
Vehicles	40,079	20,934
	11,586,194	12,015,083

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	2019	2018
	\$	\$
Tangible capital assets (Schedule 2)	23,798,789	23,761,722
Accumulated amortization (Schedule 2)	(12,212,595)	(11,746,639)
Long-term debt (Note 10)	(240,322)	(288,631)
Debt charges recoverable (Note 7)	-	19,759
	11,345,872	11,746,211

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

14. ACCUMULATED SURPLUS

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

	2019	2018
	\$	\$
Unrestricted surplus (deficit)	214,443	214,443
Restricted surplus (operating)		
Council	25,063	17,863
Administration	79,179	82,279
Fire services (operations)	70,712	71,712
Ambulance and first aid	47,275	51,445
Roads, streets and storm sewers	237,000	171,000
Common services	1,516	1,516
By-law enforcement	28,277	28,277
Wastewater operations	158,068	133,921
Waste management	103,464	110,136
Water supply and distribution (operations)	519,942	485,108
F.C.S.S.	64,750	53,491
Cemetery	8,297	17,731
Planning, subdivision and development	96,500	102,500
Community services and physician recruitment	95,798	125,930
Recreation (facilities operations)	321,247	355,179
Library operations	26,413	26,763
Contingency (mill rate stabilization)	518,025	478,935
Restricted surplus (capital)		
Administration (capital)	20,631	18,131
Fire services (capital)	84,104	84,104
Common services (equipment replacement)	230,448	233,500
Roads and streets (capital projects)	211,236	184,123
Water distribution (capital)	177,008	177,008
Wastewater (capital)	27,000	27,000
Recreation (capital)		
- recreation complex	4,000	2,000
- park equipment	21,889	36,289
- swimming pool	10,000	10,000
- recreation programs	55,000	55,000
- campground	7,376	7,376
Equity in tangible capital assets	11,345,872	11,746,211
	14,810,533	15,108,971

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

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)	2019 Total	2018 Total
Mayor:				
BUCHINSKI, Donna	11,675	551	12,226	14,589
Councillors:				
BELL, James	5,220	196	5,416	410
BRAITHWAITE, Gary	-	-	-	784
BROWN, Lindsay	5,630	190	5,820	8,084
DROUIN, Bradley	3,365	75	3,440	4,220
LAUZE, Robert	5,525	199	5,724	4,430
LIMOGES, Rene	7,385	313	7,698	9,018
ROY, Ryan	3,675	120	3,795	3,451
TURNQUIST, Geoffrey	-	-	-	5,889
	42,475	1,644	44,119	50,875
Chief Administrative Officer:				
PARKER, Adele	113,672	22,747	136,419	129,203
	156,147	24,391	180,538	180,078

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 \$15,189 (2018 - \$15,041) 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, 2019

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.

	2019	2018
	\$	\$
Share of assets (18.0%)	39,969	50,721
Share of liabilities (18.0%)	(882)	(1,052)
	39,087	49,669
Total revenues	20,400	21,550
Total expenditures	(11,494)	(38,143)
	8,906	(16,593)
Share of surplus (deficit) for the year ended Dec. 31 (18.0%)	1,603	(2,927)

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, 2019 equal \$372.

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, 2019

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 \$0 (2018: \$19,759) debenture plus interest. During the year, the Town of Falher paid \$481,776 (2018: \$534,320) to the Smoky River Regional Water Management Commission for the purchase of water. A total amount of \$2,040 (2018: \$1,680) was received from the commission for office rental. A total amount of \$3,966 (2018: \$3,965) was received from the commission for administration services provided by the town. The trade accounts receivable include \$0 (2018: \$443) which is due from the commission. Included in the town's accounts payable is an amount of \$39,853 (2018: \$39,626) due to the commission for the purchase of water consumed in December.

During the year, the Town of Falher paid \$100,254 (2018: \$102,675) to the Smoky River Regional Waste Management Commission for waste collection services and tipping fees. A total amount of \$6,510 (2018: \$6,510) was received from the commission for administration services provided by the town. Other amounts totaling \$14,369 (2018: \$36,338) were received by the Town of Falher from the commission for labor and equipment services. The trade accounts receivable include \$0 (2018: \$0) which is due from the commission. Included in the town's accounts payable is an amount of \$8,342 (2018: \$8,428) 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.