

TOWN OF FALHER
Consolidated Financial Statements
For the Year Ended December 31, 2022

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 LLP 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 8, 2023

INDEPENDENT AUDITORS' 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, 2022, 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, 2022, 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 *Auditors' 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.

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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Auditors' 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 auditors' 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 auditors' 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 auditors' 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 8, 2023

**JDP Wasserman
LLP**
Chartered Professional Accountants

TOWN OF FALHER
Consolidated Statement of Financial Position
As at December 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	\$ 2,542,257	\$ 2,446,746
Accounts receivable <i>(Note 3)</i>	1,129,906	943,738
Loan receivable <i>(Note 4)</i>	17,517	14,000
Investments <i>(Note 5)</i>	831,061	828,806
Land held for resale	252,646	252,646
	<u>4,773,387</u>	<u>4,485,936</u>
LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 6)</i>	234,966	201,654
Deposit liabilities	74,985	74,175
Deferred revenue <i>(Note 7)</i>	840,414	775,639
Long-term debt <i>(Note 8)</i>	106,534	138,956
	<u>1,256,899</u>	<u>1,190,424</u>
NET FINANCIAL ASSETS	<u>3,516,488</u>	<u>3,295,512</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	10,000	3,700
Inventory for consumption	2,527	2,588
Tangible capital assets <i>(Schedule 1)</i>	11,129,799	11,507,842
	<u>11,142,326</u>	<u>11,514,130</u>
ACCUMULATED SURPLUS <i>(Note 10)</i>	<u>\$ 14,658,814</u>	<u>\$ 14,809,642</u>

CONTINGENCY *(Note 17)*

ON BEHALF OF COUNCIL:

Mayor

Councillor

TOWN OF FALHER
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2022

	2022 (Budget) (Note 14)	2022 (Actual)	2021 (Actual)
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 1,325,038	\$ 1,309,633	\$ 1,274,526
User fees and sales of goods	898,501	862,598	909,744
Government transfers for operating (Schedule 4)	353,635	386,892	263,942
Franchise and concession contracts (Note 12)	162,950	160,858	133,002
Rentals	120,574	123,302	79,757
Other revenues	53,845	113,356	60,504
Investment income	42,000	77,708	28,201
Penalties and costs on taxes	30,500	32,354	30,588
Licenses and permits	13,466	14,380	13,965
Fines	1,230	1,350	1,120
	<u>3,001,739</u>	<u>3,082,431</u>	<u>2,795,349</u>
EXPENSES			
Parks and recreation	527,126	675,119	587,123
Water supply and distribution	525,410	546,267	565,259
Roads, streets, walks, lighting	332,080	484,733	482,181
General administration	427,527	436,779	419,394
Family and community support services	258,742	291,487	249,447
Common services	163,520	185,474	239,756
Waste management	146,314	145,583	143,015
Wastewater treatment and disposal	80,189	119,548	130,120
Fire fighting and protective services	74,717	74,733	56,102
Storm sewers and drainage	56,541	58,994	29,781
Council and legislative	65,105	56,878	48,524
Economic development and community services	56,686	49,495	57,631
Land use planning, zoning and development	47,857	47,555	45,728
Bylaw enforcement	36,113	34,665	24,413
Culture	27,918	28,792	27,802
Airport	22,200	17,250	21,152
Cemetery	6,815	12,246	4,497
Physician recruitment	4,897	5,529	3,869
Subdivision land and development	570	350	131
	<u>2,860,327</u>	<u>3,271,477</u>	<u>3,135,925</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER	141,412	(189,046)	(340,576)
OTHER REVENUES (EXPENSES)			
Government transfers for capital (Schedule 4)	40,000	38,218	118,457
ANNUAL SURPLUS (DEFICIT)	181,412	(150,828)	(222,119)
ACCUMULATED SURPLUS - TO BEGIN YEAR	14,809,642	14,809,642	15,031,761
ACCUMULATED SURPLUS - END OF YEAR	\$ 14,991,054	\$ 14,658,814	\$ 14,809,642

TOWN OF FALHER
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2022

	2022 (Budget) (Note 14)	2022 (Actual)	2021 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ 181,412	\$ (150,828)	\$ (222,119)
Amortization of tangible capital assets	-	463,260	520,424
Purchase of tangible capital assets	(40,000)	(85,217)	(252,674)
Use (acquisition) of prepaid expenses	-	(6,300)	(3,700)
Use (acquisition) of inventory for consumption	-	61	1,187
	(40,000)	371,804	265,237
INCREASE IN NET FINANCIAL ASSETS	141,412	220,976	43,118
NET FINANCIAL ASSETS - BEGINNING OF YEAR	3,295,512	3,295,512	3,252,394
NET FINANCIAL ASSETS - END OF YEAR	\$ 3,436,924	\$ 3,516,488	\$ 3,295,512

TOWN OF FALHER
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Annual deficit	\$ (150,828)	\$ (222,119)
Item not affecting cash and cash equivalents:		
Amortization of tangible capital assets	<u>463,260</u>	<u>520,424</u>
	<u>312,432</u>	<u>298,305</u>
Changes in non-cash working capital:		
Accounts receivable	(186,168)	(498,281)
Loan receivable	(3,517)	(14,000)
Accounts payable and accrued liabilities	33,312	(76,410)
Deposit liabilities	810	4,170
Deferred revenue	64,775	461,299
Prepaid expenses	(6,300)	(3,700)
Inventory for consumption	<u>61</u>	<u>1,187</u>
	<u>(97,027)</u>	<u>(125,735)</u>
Cash flow from operating activities	<u>215,405</u>	<u>172,570</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(85,217)	(252,674)
Net change in investments	<u>(2,255)</u>	<u>(9,023)</u>
Cash flow used by investing activities	<u>(87,472)</u>	<u>(261,697)</u>
FINANCING ACTIVITY		
Repayment of long-term debt	<u>(32,422)</u>	<u>(51,495)</u>
Cash flow used by financing activity	<u>(32,422)</u>	<u>(51,495)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>95,511</u>	<u>(140,622)</u>
Cash and cash equivalents - beginning of year	<u>2,446,746</u>	<u>2,587,368</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,542,257</u>	<u>\$ 2,446,746</u>

TOWN OF FALHER

**Schedule of Tangible Capital Assets
For the Year Ended December 31, 2022**

(Schedule 1)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2022	2021
COST								
BALANCE, BEGINNING OF YEAR	\$ 332,482	\$ 1,066,482	\$ 5,604,230	\$ 16,175,944	\$ 952,131	\$ 234,801	\$ 24,366,070	\$ 24,113,396
Purchase of tangible capital assets	-	-	36,218	-	48,999	-	85,217	252,674
BALANCE, END OF YEAR	332,482	1,066,482	5,640,448	16,175,944	1,001,130	234,801	24,451,287	24,366,070
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	582,591	2,210,263	9,249,781	608,933	206,660	12,858,228	12,337,804
Amortization of tangible capital assets	-	54,663	112,765	263,594	26,269	5,969	463,260	520,424
BALANCE, END OF YEAR	-	637,254	2,323,028	9,513,375	635,202	212,629	13,321,488	12,858,228
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 332,482	\$ 429,228	\$ 3,317,420	\$ 6,662,569	\$ 365,928	\$ 22,172	\$ 11,129,799	\$ 11,507,842
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, 2021	\$ 332,482	\$ 483,891	\$ 3,393,967	\$ 6,926,163	\$ 343,198	\$ 28,141		\$ 11,507,842

Included in the net book value of tangible capital assets is work-in-progress of \$Nil (2021 - \$Nil).

TOWN OF FALHER
Schedule of Equity in Tangible Capital Assets **(Schedule 2)**
For the Year Ended December 31, 2022

	2022	2021
BALANCE, BEGINNING OF YEAR	\$ 11,368,886	\$ 11,585,141
Purchase of tangible capital assets	85,217	252,674
Amortization of tangible capital assets	(463,260)	(520,424)
Repayment of long-term debt	32,422	51,495
BALANCE, END OF YEAR	\$ 11,023,265	\$ 11,368,886
Equity in tangible capital assets is comprised of:		
Net book value of tangible capital assets <i>(Schedule 1)</i>	\$ 11,129,799	\$ 11,507,842
Long-term debt <i>(Note 8)</i>	(106,534)	(138,956)
	\$ 11,023,265	\$ 11,368,886

TOWN OF FALHER
Schedule of Property Taxes
For the Year Ended December 31, 2022

(Schedule 3)

	2022 (Budget) (Note 14)	2022 (Actual)	2021 (Actual)
TAXATION			
Real property taxes	\$ 1,533,897	\$ 1,531,158	\$ 1,490,580
Designated industrial property taxes	59,909	59,909	57,526
Government grants in lieu of property taxes	11,474	11,474	10,838
Local improvement taxes	10,624	2,037	3,443
	<u>1,615,904</u>	<u>1,604,578</u>	<u>1,562,387</u>
REQUISITIONS			
Alberta School Foundation Fund	263,786	268,076	261,023
Heart River Seniors Foundation	26,869	26,869	26,838
Designated Industrial Property	211	-	-
	<u>290,866</u>	<u>294,945</u>	<u>287,861</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 1,325,038</u>	<u>\$ 1,309,633</u>	<u>\$ 1,274,526</u>

TOWN OF FALHER
Schedule of Government Transfers
For the Year Ended December 31, 2022

(Schedule 4)

	2022 (Budget) (Note 14)	2022 (Actual)	2021 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 276,112	\$ 318,959	\$ 170,124
Local government	64,018	62,818	72,377
Federal government	13,505	5,115	21,441
	<u>353,635</u>	<u>386,892</u>	<u>263,942</u>
TRANSFERS FOR CAPITAL			
Provincial government	<u>40,000</u>	<u>38,218</u>	<u>118,457</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 393,635</u>	<u>\$ 425,110</u>	<u>\$ 382,399</u>

TOWN OF FALHER
Schedule of Expenses by Object
For the Year Ended December 31, 2022

(Schedule 5)

	2022 (Budget) (Note 14)	2022 (Actual)	2021 (Actual)
Salaries, wages and benefits	\$ 1,049,294	\$ 1,009,707	\$ 1,023,613
Contracted and general services	845,929	832,081	707,965
Materials, goods and utilities	759,648	769,501	706,884
Amortization of tangible capital assets	-	463,260	520,424
Transfers to other governments	100,025	100,025	71,878
Transfers to individuals and organizations	53,348	49,797	53,435
Transfers to local boards and agencies	43,964	39,014	42,734
Interest on long-term debt	5,983	5,918	7,471
Bank charges and short-term interest	2,136	2,174	1,521
	\$ 2,860,327	\$ 3,271,477	\$ 3,135,925

TOWN OF FALHER

Schedule of Segmented Disclosure

For the Year Ended December 31, 2022

(Schedule 6)

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	2022
REVENUES								
Net municipal property taxes	\$ 353,316	\$ 88,773	\$ 474,214	\$ -	\$ -	\$ 78,901	\$ 314,429	\$ 1,309,633
User fees and sales of goods	20,831	-	5,537	762,657	45,277	-	28,296	862,598
Government transfers for operating	17,593	15,000	33,790	11,900	241,739	12,470	54,400	386,892
Franchise and concession contracts	160,858	-	-	-	-	-	-	160,858
Rentals	6,960	-	2,400	-	858	4,059	109,025	123,302
Other revenues	51,987	25	-	2,277	19,808	235	39,024	113,356
Investment income	77,708	-	-	-	-	-	-	77,708
Penalties and costs on taxes	32,354	-	-	-	-	-	-	32,354
Licenses and permits	9,075	4,250	-	-	-	1,055	-	14,380
Fines	-	1,350	-	-	-	-	-	1,350
	730,682	109,398	515,941	776,834	307,682	96,720	545,174	3,082,431
EXPENSES								
Salaries, wages and benefits	304,967	-	249,149	48,535	170,301	1,403	235,352	1,009,707
Contracted and general services	164,470	9,304	120,740	227,534	109,200	59,575	141,258	832,081
Materials, goods and utilities	13,447	69	128,802	471,227	11,659	4,057	140,240	769,501
Transfers to other governments	-	100,025	-	-	-	-	-	100,025
Transfer to individuals & organizations	-	-	-	-	17,470	9,921	22,406	49,797
Transfers to local boards and agencies	-	-	17,250	-	-	21,764	-	39,014
Interest on long-term debt	-	-	-	-	-	-	5,918	5,918
Bank charges and short-term interest	2,174	-	-	-	-	-	-	2,174
	485,058	109,398	515,941	747,296	308,630	96,720	545,174	2,808,217
NET REVENUE BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS	245,624	-	-	29,538	(948)	-	-	274,214
Amortization of tangible capital assets	8,599	-	230,510	64,102	632	680	158,737	463,260
NET REVENUE (DEFICIT)	\$ 237,025	\$ -	\$ (230,510)	\$ (34,564)	\$ (1,580)	\$ (680)	\$ (158,737)	\$ (189,046)

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

TOWN OF FALHER

Schedule of Segmented Disclosure

For the Year Ended December 31, 2021

(Schedule 7)

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	2021
REVENUES								
Net municipal property taxes	\$ 337,296	\$ 75,475	\$ 483,810	\$ 798	\$ -	\$ 91,644	\$ 285,503	\$ 1,274,526
User fees and sales of goods	21,042	-	6,491	775,017	66,232	-	40,962	909,744
Government transfers for operating	12,594	-	35,999	-	182,143	6,556	26,650	263,942
Franchise and concession contracts	133,002	-	-	-	-	-	-	133,002
Rentals	6,960	-	2,040	-	1,116	3,490	66,151	79,757
Other revenues	2,817	-	-	1,627	19,600	-	36,460	60,504
Penalties and costs on taxes	30,588	-	-	-	-	-	-	30,588
Investment income	28,201	-	-	-	-	-	-	28,201
Licenses and permits	8,925	3,920	-	-	-	1,120	-	13,965
Fines	-	1,120	-	-	-	-	-	1,120
	581,425	80,515	528,340	777,442	269,091	102,810	455,726	2,795,349
EXPENSES								
Salaries, wages and benefits	294,118	-	307,366	43,898	152,394	714	225,123	1,023,613
Contracted and general services	149,429	8,472	103,994	204,259	85,066	58,173	98,572	707,965
Materials, goods and utilities	14,252	165	95,710	483,452	7,302	3,489	102,514	706,884
Transfers to other governments	-	71,878	-	-	-	-	-	71,878
Transfer to individuals & organizations	-	-	-	-	12,419	18,852	22,164	53,435
Transfers to local boards and agencies	-	-	21,152	-	-	21,582	-	42,734
Interest on long-term debt	-	-	118	-	-	-	7,353	7,471
Bank charges and short-term interest	1,521	-	-	-	-	-	-	1,521
	459,320	80,515	528,340	731,609	257,181	102,810	455,726	2,615,501
NET REVENUE (DEFICIT) BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS								
	122,105	-	-	45,833	11,910	-	-	179,848
Amortization of tangible capital assets	8,599	-	244,530	106,784	632	680	159,199	520,424
NET REVENUE (DEFICIT)	\$ 113,506	\$ -	\$ (244,530)	\$ (60,951)	\$ 11,278	\$ (680)	\$ (159,199)	\$ (340,576)

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

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

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.

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TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

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.

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TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

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, 2022

2. CASH AND CASH EQUIVALENTS

	2022	2021
Notice on demand bank accounts	\$ 1,556,034	\$ 1,515,646
Bank accounts	986,013	930,890
Petty cash	210	210
	\$ 2,542,257	\$ 2,446,746

Notice on demand bank accounts bear interest at rates ranging from prime minus 1.50% to prime minus 1.60% and require notice to access funds of between 31 and 90 days.

3. ACCOUNTS RECEIVABLE

	2022	2021
Receivable from other governments	\$ 668,053	\$ 466,038
Taxes and grants in place of taxes	308,521	298,735
Local improvement tax	67,002	75,589
Trade and other	59,928	80,124
Utility accounts	54,241	56,745
Goods and Services Tax recoverable	12,423	15,145
Accrued interest	9,738	1,362
	1,179,906	993,738
Less: allowance for doubtful accounts	(50,000)	(50,000)
	\$ 1,129,906	\$ 943,738

4. LOAN RECEIVABLE

Under the authority of Bylaw No. 21-05 the Town, without incurring indebtedness, can loan up to \$28,000 to a non-profit organization for the purposes of community hall repairs and maintenance. As of December 31, 2022, \$26,850 of the funds have been released, with \$17,517 receivable. The loan is repayable in blended semi-annual payments averaging approximately \$5,000 including interest at 2.16% until December 2024.

5. INVESTMENTS

	2022	2021
Term deposits	\$ 810,245	\$ 807,017
Vision Credit Union common shares	17,244	18,262
Other	3,572	3,527
	\$ 831,061	\$ 828,806

Term deposits bear interest at rates between 2.45% - 3.90% per annum and mature at dates between June 28, 2023 - September 15, 2023.

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2022</u>	<u>2021</u>
Trade and other	\$ 171,560	\$ 150,129
Employee earned vacation, sick and overtime liability	63,193	51,247
Accrued interest on long-term debt	213	278
	<u>\$ 234,966</u>	<u>\$ 201,654</u>

7. DEFERRED REVENUE

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

	<u>2022</u>	<u>2021</u>
Municipal Sustainability Initiative - Capital	\$ 459,535	\$ 358,330
Federal Gas Tax Fund	215,762	152,423
Family and community support services	150,514	172,285
Other	10,922	58,010
Municipal Sustainability Initiative - Operating	3,681	34,591
Municipal Stimulus Program	-	-
	<u>\$ 840,414</u>	<u>\$ 775,639</u>

8. LONG-TERM DEBT

	<u>2022</u>	<u>2021</u>
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$19,202 including interest at 4.5690% maturing December 2025.	<u>\$ 106,534</u>	<u>\$ 138,956</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 33,920	\$ 4,484	\$ 38,404
2024	35,487	2,917	38,404
2025	37,127	1,277	38,404
	<u>\$ 106,534</u>	<u>\$ 8,678</u>	<u>\$ 115,212</u>

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

9. 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:

	<u>2022</u>	<u>2021</u>
Total debt limit	\$ 4,623,647	\$ 4,193,024
Total debt	<u>(106,534)</u>	<u>(138,956)</u>
Total debt limit remaining	<u>\$ 4,517,113</u>	<u>\$ 4,054,068</u>
Service on debt limit	\$ 770,608	\$ 698,837
Service on debt	<u>(38,404)</u>	<u>(38,404)</u>
Total service on debt limit remaining	<u>\$ 732,204</u>	<u>\$ 660,433</u>

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.

10. ACCUMULATED SURPLUS

	<u>2022</u>	<u>2021</u>
Unrestricted surplus	\$ 214,394	\$ 172,474
Restricted surplus		
Operating reserves (Note 11)	2,394,563	2,315,690
Capital reserves (Note 11)	1,026,592	952,592
Equity in tangible capital assets (Schedule 2)	<u>11,023,265</u>	<u>11,368,886</u>
	<u>\$ 14,658,814</u>	<u>\$ 14,809,642</u>

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

11. RESTRICTED SURPLUS

	2022	2021
Operating Reserves		
Water supply and distribution	\$ 558,526	\$ 539,226
Contingency (mill rate stabilization)	546,702	548,540
Roads, streets, and storm sewers	283,482	274,481
Recreation	264,446	246,656
Wastewater treatment and disposal	132,371	138,507
Community services and physician recruitment	118,923	104,310
Waste management	86,576	91,999
Planning, subdivision and development	86,500	86,500
Fire services	80,712	80,712
General administration	75,260	55,459
Bylaw enforcement	54,605	54,605
Ambulance and first aid	28,012	30,106
Library	26,413	26,413
Council and legislative	25,663	23,863
Cemetery	24,556	12,497
Common services	1,816	1,816
	\$ 2,394,563	\$ 2,315,690
Capital Reserves		
Roads and streets	\$ 366,136	\$ 329,136
Common services (equipment replacement)	243,448	206,448
Water supply and distribution	177,008	177,008
Fire services	84,104	84,104
Recreation (programs)	55,000	55,000
General administration	28,131	25,631
Wastewater treatment and disposal	27,000	27,000
Recreation (park equipment)	18,389	22,889
Recreation (swimming pool)	10,000	10,000
Recreation (recreation complex)	10,000	8,000
Recreation (campground)	7,376	7,376
	\$ 1,026,592	\$ 952,592

12. 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:

	2022 (Budget) (Note 14)	2022 (Actual)	2021 (Actual)
ATCO electricity	\$ 90,320	\$ 89,160	\$ 74,583
ATCO natural gas	72,630	71,698	58,419
	\$ 162,950	\$ 160,858	\$ 133,002

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

13. 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)	2022	2021
Mayor Buchinski	\$ 20,895	\$ 1,363	\$ 22,258	\$ 16,315
Councillors				
Lauze	7,615	375	7,990	5,545
Brown	7,580	384	7,964	5,705
Pizycki	3,010	92	3,102	1,299
Morin	1,540	34	1,574	2,392
Simon	1,350	25	1,375	-
Simard	300	6	306	-
Limoges	-	-	-	5,923
Drouin	-	-	-	684
Chief Administrative Officer				
Bell	79,397	21,229	100,626	94,313
Parker	-	-	-	25,234
	<u>\$ 121,687</u>	<u>\$ 23,508</u>	<u>\$ 145,195</u>	<u>\$ 157,410</u>

(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.

14. BUDGET FIGURES

	2022 (Budget)	2022 (Actual)
Annual surplus (deficit)	\$ 181,412	\$ (150,828)
Amortization of tangible capital assets	-	463,260
Acquisition of tangible capital assets	(40,000)	(85,217)
Repayment of long-term debt	(32,421)	(32,422)
Transfers between functions	-	-
Net transfers (to) from reserves:		(152,873)
Funding acquisition of tangible capital assets	-	-
Other net transfers from reserves	82,461	-
Other net transfers to reserves	(191,452)	-
Results of operations	<u>\$ -</u>	<u>\$ 41,920</u>

The budget data presented in these consolidated financial statements is based on the operating and capital budgets approved by Town Council on May 2, 2022. 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, 2022

15. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and cash equivalents, investments, accounts receivable, loan 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.

16. 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*).

17. 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.

18. 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%.

	2022	2021
Share of assets	\$ 37,340	\$ 36,955
Share of liabilities	(972)	(972)
	36,368	35,983
Total revenues	20,400	17,132
Total expenses	(11,016)	(18,441)
Share of annual surplus (deficit) for the year ended December 31	\$ 1,689	\$ (236)

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

19. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan ("LAPP"), which is one of the plans covered by the *Public Sector Pension Plans Act*. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenses in the year in which they become due.

The Town is required to make current service contributions to the LAPP at 8.45% (2021 - 9.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.80% (2021 - 13.84%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 7.45% (2021 - 8.39%) of pensionable earnings up to the year's maximum pensionable earnings and 11.80% (2021 - 12.84%) on pensionable earnings above this amount.

Total current and past service contributions by the Town to the LAPP in 2022 were \$49,452 (2021 - \$48,915). Total current and past service contributions by employees of the Town to the LAPP in 2021 were \$43,791 (2021 - \$43,862).

At December 31, 2021 the LAPP disclosed an actuarial surplus of \$11.922 billion (2020 - \$4.961 billion).

20. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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