

TOWN OF FALHER
Consolidated Financial Statements
For the Year Ended December 31, 2021

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 7, 2022

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, 2021, 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, 2021, 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.

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 7, 2022




ISRAEL WASSERMAN PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANT

TOWN OF FALHER
Consolidated Statement of Financial Position
As at December 31, 2021

	2021	2020 (Restated) (Note 21)
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 2,446,746	\$ 2,587,368
Accounts receivable (Note 3)	943,738	445,457
Loan receivable (Note 4)	14,000	-
Investments (Note 5)	828,806	819,783
Land held for resale	252,646	252,646
	<u>4,485,936</u>	<u>4,105,254</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	201,654	278,064
Deposit liabilities	74,175	70,005
Deferred revenue (Note 7)	775,639	314,340
Long-term debt (Note 8)	138,956	190,451
	<u>1,190,424</u>	<u>852,860</u>
NET FINANCIAL ASSETS	<u>3,295,512</u>	<u>3,252,394</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	3,700	-
Inventory for consumption	2,588	3,775
Tangible capital assets (Schedule 1)	11,507,842	11,775,592
	<u>11,514,130</u>	<u>11,779,367</u>
ACCUMULATED SURPLUS (Note 10)	<u>\$ 14,809,642</u>	<u>\$ 15,031,761</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, 2021

	2021 (Budget) (Note 14)	2021 (Actual)	2020 (Actual) (Restated) (Note 21)
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 1,285,503	\$ 1,274,526	\$ 1,290,531
User fees and sales of goods	884,212	909,744	818,978
Government transfers for operating (Schedule 4)	310,281	263,942	482,560
Franchise and concession contracts (Note 12)	139,285	133,002	130,187
Rentals	133,895	79,757	104,344
Other revenues	36,189	60,504	140,701
Penalties and costs on taxes	27,000	30,588	29,251
Investment income	42,000	28,201	50,787
Licenses and permits	13,425	13,965	13,655
Fines	1,200	1,120	1,467
	<u>2,872,990</u>	<u>2,795,349</u>	<u>3,062,461</u>
EXPENSES			
Parks and recreation	586,430	587,123	722,534
Water supply and distribution	546,498	565,259	563,414
Roads, streets, walks, lighting	291,544	482,181	435,868
General administration	416,870	419,394	544,863
Family and community support services	255,149	249,447	251,571
Common services	184,418	239,756	252,484
Waste management	145,420	143,015	143,480
Wastewater treatment and disposal	66,890	130,120	219,289
Economic development and community services	55,476	57,631	46,697
Fire fighting and protective services	55,987	56,102	55,424
Council and legislative	58,928	48,524	44,538
Land use planning, zoning and development	45,730	45,728	45,053
Storm sewers and drainage	57,507	29,781	40,972
Culture	27,650	27,802	27,652
Bylaw enforcement	26,368	24,413	6,937
Airport	22,200	21,152	21,152
Cemetery	6,470	4,497	9,860
Physician recruitment	3,237	3,869	5,485
Subdivision land and development	570	131	267
	<u>2,853,342</u>	<u>3,135,925</u>	<u>3,437,540</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER	<u>19,648</u>	<u>(340,576)</u>	<u>(375,079)</u>
OTHER REVENUES (EXPENSES)			
Government transfers for capital (Schedule 4)	118,456	118,457	671,143
Loss on disposal of tangible capital assets	-	-	(10,086)
	<u>118,456</u>	<u>118,457</u>	<u>661,057</u>
ANNUAL SURPLUS (DEFICIT)	<u>138,104</u>	<u>(222,119)</u>	<u>285,978</u>
ACCUMULATED SURPLUS - TO BEGIN YEAR	<u>15,031,761</u>	<u>15,031,761</u>	<u>14,745,783</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 15,169,865</u>	<u>\$ 14,809,642</u>	<u>\$ 15,031,761</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, 2021

	2021 (Budget) (Note 14)	2021 (Actual)	2020 (Actual) (Restated) (Note 21)
ANNUAL SURPLUS (DEFICIT)	\$ 138,104	\$ (222,119)	\$ 285,978
Amortization of tangible capital assets	-	520,424	506,788
Purchase of tangible capital assets	(140,000)	(252,674)	(706,272)
Loss on disposal of tangible capital assets	-	-	10,086
Use (acquisition) of prepaid expenses	-	(3,700)	87
Use (acquisition) of inventory for consumption	-	1,187	231
	(140,000)	265,237	(189,080)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,896)	43,118	96,898
NET FINANCIAL ASSETS - BEGINNING OF YEAR	3,252,394	3,252,394	3,155,496
NET FINANCIAL ASSETS - END OF YEAR	\$ 3,250,498	\$ 3,295,512	\$ 3,252,394

TOWN OF FALHER
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2021

	2021	2020 (Restated) (Note 21)
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (222,119)	\$ 285,978
Item not affecting cash and cash equivalents:		
Amortization of tangible capital assets	520,424	506,788
Loss on disposal of tangible capital assets	-	10,086
	<u>298,305</u>	<u>802,852</u>
Changes in non-cash working capital:		
Accounts receivable	(498,281)	1,423
Loan receivable	(14,000)	-
Accounts payable and accrued liabilities	(76,410)	49,191
Deposit liabilities	4,170	(401)
Deferred revenue	461,299	179,587
Prepaid expenses	(3,700)	87
Inventory for consumption	1,187	231
	<u>(125,735)</u>	<u>230,118</u>
Cash flow from operating activities	<u>172,570</u>	<u>1,032,970</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(252,674)	(706,272)
Net change in investments	(9,023)	(24,429)
Cash flow used by investing activities	<u>(261,697)</u>	<u>(730,701)</u>
FINANCING ACTIVITY		
Repayment of long-term debt	(51,495)	(49,871)
Cash flow used by financing activity	<u>(51,495)</u>	<u>(49,871)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>(140,622)</u>	<u>252,398</u>
Cash and cash equivalents - beginning of year	<u>2,587,368</u>	<u>2,334,970</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,446,746</u>	<u>\$ 2,587,368</u>

TOWN OF FALHER
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2021

(Schedule 1)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2021	2020
COST								
BALANCE, BEGINNING OF YEAR	\$ 332,482	\$ 1,066,482	\$ 5,488,081	\$ 16,175,944	\$ 815,606	\$ 234,801	\$ 24,113,396	\$ 23,798,789
Purchase of tangible capital assets	-	-	116,149	-	136,525	-	252,674	706,272
Disposal of tangible capital assets	-	-	-	-	-	-	-	(391,665)
BALANCE, END OF YEAR	332,482	1,066,482	5,604,230	16,175,944	952,131	234,801	24,366,070	24,113,396
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	527,928	2,099,021	8,922,333	587,831	200,691	12,337,804	12,212,595
Amortization of tangible capital assets	-	54,663	111,242	327,448	21,102	5,969	520,424	506,788
Disposal of tangible capital assets	-	-	-	-	-	-	-	(381,579)
BALANCE, END OF YEAR	-	582,591	2,210,263	9,249,781	608,933	206,660	12,858,228	12,337,804
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 332,482	\$ 483,891	\$ 3,393,967	\$ 6,926,163	\$ 343,198	\$ 28,141	\$ 11,507,842	\$ 11,775,592
 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, 2020	 \$ 332,482	 \$ 538,554	 \$ 3,389,060	 \$ 7,253,611	 \$ 227,775	 \$ 34,110		 \$ 11,775,592

Included in the net book value of tangible capital assets is work-in-progress of \$Nil (2020 - \$Nil).

TOWN OF FALHER
Schedule of Equity in Tangible Capital Assets **(Schedule 2)**
For the Year Ended December 31, 2021

	2021	2020
BALANCE, BEGINNING OF YEAR	\$ 11,585,141	\$ 11,345,872
Purchase of tangible capital assets	252,674	706,272
Amortization of tangible capital assets	(520,424)	(506,788)
Repayment of long-term debt	51,495	49,871
Cost of tangible capital assets disposed of	-	(391,665)
Accumulated amortization of tangible capital assets disposed	-	381,579
BALANCE, END OF YEAR	\$ 11,368,886	\$ 11,585,141
Equity in tangible capital assets is comprised of:		
Net book value of tangible capital assets <i>(Schedule 1)</i>	\$ 11,507,842	\$ 11,775,592
Long-term debt <i>(Note 8)</i>	(138,956)	(190,451)
	\$ 11,368,886	\$ 11,585,141

TOWN OF FALHER
Schedule of Property Taxes
For the Year Ended December 31, 2021

(Schedule 3)

	2021 (Budget) (Note 14)	2021 (Actual)	2020 (Actual)
TAXATION			
Real property taxes	\$ 1,494,427	\$ 1,490,580	\$ 1,513,539
Designated industrial property taxes	57,526	57,526	56,628
Government grants in lieu of property taxes	10,838	10,838	10,813
Local improvement taxes	15,069	3,443	2,581
	<u>1,577,860</u>	<u>1,562,387</u>	<u>1,583,561</u>
REQUISITIONS			
Alberta School Foundation Fund	265,313	261,023	265,313
Heart River Seniors Foundation	26,838	26,838	27,717
Designated Industrial Property	206	-	-
	<u>292,357</u>	<u>287,861</u>	<u>293,030</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 1,285,503</u>	<u>\$ 1,274,526</u>	<u>\$ 1,290,531</u>

TOWN OF FALHER
Schedule of Government Transfers
For the Year Ended December 31, 2021

(Schedule 4)

	2021 (Budget) (Note 14)	2021 (Actual)	2020 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 213,648	\$ 170,124	\$ 313,826
Local government	69,617	72,377	89,422
Federal government	27,016	21,441	79,312
	<u>310,281</u>	<u>263,942</u>	<u>482,560</u>
TRANSFERS FOR CAPITAL			
Provincial government	<u>118,456</u>	<u>118,457</u>	<u>671,143</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 428,737</u>	<u>\$ 382,399</u>	<u>\$ 1,153,703</u>

TOWN OF FALHER
Schedule of Expenses by Object
For the Year Ended December 31, 2021

(Schedule 5)

	2021 (Budget) (Note 14)	2021 (Actual)	2020 (Actual)
Salaries, wages and benefits	\$ 1,040,348	\$ 1,023,613	\$ 1,133,066
Contracted and general services	856,424	707,965	899,081
Materials, goods and utilities	776,011	706,884	739,953
Amortization of tangible capital assets	-	520,424	506,788
Transfers to other governments	81,308	71,878	52,582
Transfers to individuals and organizations	46,410	53,435	49,320
Transfers to local boards and agencies	43,782	42,734	46,314
Interest on long-term debt	7,609	7,471	9,100
Bank charges and short-term interest	1,450	1,521	1,336
	\$ 2,853,342	\$ 3,135,925	\$ 3,437,540

TOWN OF FALHER
Schedule of Segmented Disclosure
For the Year Ended December 31, 2021

(Schedule 6)

	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 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 & Associates /// Chartered Professional Accountants

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

(Schedule 7)

	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	195,625	5,000	124,718	482,560
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	249,835	91,337	592,093	3,062,461
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)	(16,448)	-	-	131,709
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)	\$ (17,080)	\$ (680)	\$ (158,091)	\$ (375,079)

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, 2021

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, 2021

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, 2021

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, 2021

2. CASH AND CASH EQUIVALENTS

	2021	2020
Notice on demand bank accounts	\$ 1,515,646	\$ 1,650,652
Bank accounts	930,890	936,506
Petty cash	210	210
	\$ 2,446,746	\$ 2,587,368

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

	2021	2020
Receivable from other governments	\$ 466,038	\$ 21,934
Taxes and grants in place of taxes	298,735	267,295
Trade and other	80,124	35,885
Local improvement tax	75,589	91,399
Utility accounts	56,745	59,937
Goods and Services Tax recoverable	15,145	15,356
Accrued interest	1,362	3,651
	993,738	495,457
Less: allowance for doubtful accounts	(50,000)	(50,000)
	\$ 943,738	\$ 445,457

4. LOAN RECEIVABLE

Under the authority of Bylaw No. 21-05 the Town, without incurring indebtedness, loaned \$28,000 to a non-profit organization for the purposes of community hall repairs and maintenance. As of December 31, 2021, half of the funds have been released. The loan is repayable in blended semi-annual payments averaging approximately \$5,000 including interest at 2.16% until December 2024.

5. INVESTMENTS

	2021	2020
Term deposits	\$ 807,017	\$ 798,420
Vision Credit Union common shares	18,262	17,904
Other	3,527	3,459
	\$ 828,806	\$ 819,783

Term deposits bear interest at 0.40% per annum and mature at dates between June 28, 2022 - September 8, 2022.

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2021</u>	<u>2020</u>
Trade and other	\$ 150,129	\$ 214,073
Employee earned vacation, sick and overtime liability	51,247	63,575
Accrued interest on long-term debt	278	416
	<u>\$ 201,654</u>	<u>\$ 278,064</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>2021</u>	<u>2020</u>
Municipal Sustainability Initiative - Capital	\$ 358,330	\$ 14,750
Family and community support services	172,285	120,110
Federal Gas Tax Fund	152,423	29,832
Other	58,010	27,079
Municipal Sustainability Initiative - Operating	34,591	4,112
Municipal Stimulus Program	-	118,457
	<u>\$ 775,639</u>	<u>\$ 314,340</u>

8. LONG-TERM DEBT

	<u>2021</u>	<u>2020</u>
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$19,202 including interest at 4.5690% maturing December 2025.	\$ 138,956	\$ 169,945
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$10,351 including interest at 1.2625% maturing September 2021.	-	20,506
	<u>\$ 138,956</u>	<u>\$ 190,451</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 32,421	\$ 5,983	\$ 38,404
2023	33,920	4,484	38,404
2024	35,487	2,917	38,404
2025	37,128	1,276	38,404
	<u>\$ 138,956</u>	<u>\$ 14,660</u>	<u>\$ 153,616</u>

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

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>2021</u>	<u>2020</u>
Total debt limit	\$ 4,193,024	\$ 4,676,732
Total debt	<u>(138,956)</u>	<u>(190,451)</u>
Total debt limit remaining	<u>\$ 4,054,068</u>	<u>\$ 4,486,281</u>
Service on debt limit	\$ 698,837	\$ 779,455
Service on debt	<u>(38,404)</u>	<u>(59,105)</u>
Total service on debt limit remaining	<u>\$ 660,433</u>	<u>\$ 720,350</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>2021</u>	<u>2020</u>
Unrestricted surplus	\$ 172,474	\$ 214,443
Restricted surplus		
Operating reserves (Note 11)	2,315,690	2,240,489
Capital reserves (Note 11)	952,592	991,688
Equity in tangible capital assets (Schedule 2)	<u>11,368,886</u>	<u>11,585,141</u>
	<u>\$ 14,809,642</u>	<u>\$ 15,031,761</u>

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

11. RESTRICTED SURPLUS

	2021	2020
Operating Reserves		
Contingency (mill rate stabilization)	\$ 548,540	\$ 534,591
Water supply and distribution	539,226	528,053
Roads, streets, and storm sewers	274,481	236,269
Recreation	246,656	230,920
Wastewater treatment and disposal	138,507	121,435
Community services and physician recruitment	104,310	96,134
Waste management	91,999	96,940
Planning, subdivision and development	86,500	91,500
Fire services	80,712	70,712
General administration	55,459	77,260
Bylaw enforcement	54,605	56,005
Ambulance and first aid	30,106	45,181
Library	26,413	26,413
Council and legislative	23,863	24,463
Cemetery	12,497	2,797
Common services	1,816	1,816
	\$ 2,315,690	\$ 2,240,489
Capital Reserves		
Roads and streets	\$ 329,136	\$ 293,232
Common services (equipment replacement)	206,448	286,448
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	25,631	23,131
Recreation (park equipment)	22,889	22,389
Recreation (swimming pool)	10,000	10,000
Recreation (recreation complex)	8,000	6,000
Recreation (campground)	7,376	7,376
	\$ 952,592	\$ 991,688

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:

	2021 (Budget) (Note 14)	2021 (Actual)	2020 (Actual)
ATCO electricity	\$ 78,106	\$ 74,583	\$ 72,722
ATCO natural gas	61,179	58,419	57,465
	\$ 139,285	\$ 133,002	\$ 130,187

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

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)	2021	2020
Mayor Buchinski	\$ 15,455	\$ 860	\$ 16,315	\$ 14,416
Councillors				
Limoges	5,675	248	5,923	9,692
Brown	5,495	210	5,705	5,722
Lauze	5,350	195	5,545	4,765
Morin	2,360	32	2,392	2,981
Pizycki	1,245	54	1,299	-
Drouin	675	9	684	2,342
Roy	-	-	-	2,090
Chief Administrative Officer				
Bell	74,160	20,153	94,313	-
Parker	20,267	4,967	25,234	133,727
	\$ 130,682	\$ 26,728	\$ 157,410	\$ 175,735

(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

	2021 (Budget)	2021 (Actual)
Annual surplus (deficit)	\$ 138,104	\$ (222,119)
Amortization of tangible capital assets	-	520,424
Acquisition of tangible capital assets	(140,000)	(252,674)
Repayment of long-term debt	(51,496)	(51,495)
Transfers between functions	8,000	-
Net transfers (to) from reserves:		(36,105)
Funding acquisition of tangible capital assets	122,000	-
Other net transfers from reserves	106,348	-
Other net transfers to reserves	(182,956)	-
Results of operations	\$ -	\$ (41,969)

The budget data presented in these consolidated financial statements is based on the operating and capital budgets approved by Town Council on April 12, 2021. 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, 2021

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%.

	2021	2020
Share of assets	\$ 36,955	\$ 38,316
Share of liabilities	(972)	(793)
	35,983	37,523
Total revenues	17,132	20,400
Total expenses	(18,441)	(16,667)
Share of annual surplus (deficit) for the year ended December 31	\$ (236)	\$ 672

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

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 9.39% (2020 - 9.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (2020 - 13.84%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% (2020 - 8.39%) of pensionable earnings up to the year's maximum pensionable earnings and 12.84% (2020 - 12.84%) on pensionable earnings above this amount.

Total current and past service contributions by the Town to the LAPP in 2021 were \$48,915 (2020 - \$Nil). Total current and past service contributions by employees of the Town to the LAPP in 2021 were \$43,862 (2020 - \$Nil).

At December 31, 2020 the LAPP disclosed an actuarial surplus of \$4.961 billion (2019 - \$7.913 billion).

20. 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 2021, 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.

21. RESTATEMENT

During the year the Town identified historical Family and community support services program surpluses (deficits) that were impacting the Town's annual surplus (deficit), with the net historical surplus accumulating as reserves within the Town's accumulated surplus. As the Town does not control this program, the historical net surplus has been allocated from reserves to deferred revenue, and any impact on the Town's annual surplus (deficit) has been eliminated. This has been applied retroactively with prior periods restated. This resulted in an increase in 2020 deferred revenue by \$120,110, a decrease in government transfers for operating by \$55,360, and a decrease in opening accumulated surplus by \$64,750.

22. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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