

TOWN OF FALHER
Consolidated Financial Statements
For the Year Ended December 31, 2024

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



Florita Perez
Accounting Clerk

Falher, AB
March 12, 2025

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, 2024, 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, 2024, 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.

(continues)

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 12, 2025

**JDP Wasserman
LLP**
Chartered Professional Accountants

TOWN OF FALHER
Consolidated Statement of Financial Position
As at December 31, 2024

	2024	2023
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 3,792,994	\$ 2,687,452
Accounts receivable (Note 3)	987,214	1,361,356
Loan receivable (Note 4)	-	8,183
Investments (Note 5)	904,770	860,736
Land held for resale	252,646	252,646
	<u>5,937,624</u>	<u>5,170,373</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	431,533	222,107
Deposit liabilities	80,655	78,435
Deferred revenue (Note 7)	1,103,317	1,038,859
Long-term debt (Note 8)	37,127	72,614
	<u>1,652,632</u>	<u>1,412,015</u>
NET FINANCIAL ASSETS	<u>4,284,992</u>	<u>3,758,358</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	7,101	6,201
Inventory for consumption	2,810	1,884
Tangible capital assets (Schedule 1)	11,245,613	10,851,994
	<u>11,255,524</u>	<u>10,860,079</u>
ACCUMULATED SURPLUS (Note 10)	<u>\$ 15,540,516</u>	<u>\$ 14,618,437</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, 2024

	2024 (Budget) (Note 14)	2024 (Actual)	2023 (Actual)
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 1,377,986	\$ 1,370,140	\$ 1,333,749
User fees and sales of goods	959,936	1,040,595	904,321
Government transfers for operating (Schedule 4)	403,243	410,541	377,369
Investment income	42,000	220,403	178,136
Rentals	144,503	173,690	174,423
Franchise and concession contracts (Note 12)	174,322	170,454	163,822
Other revenues	48,803	83,889	57,054
Penalties and costs on taxes	27,000	47,477	39,573
Licenses and permits	14,641	15,250	18,395
Fines	1,000	474	536
	<u>3,193,434</u>	<u>3,532,913</u>	<u>3,247,378</u>
EXPENSES			
Parks and recreation	572,594	715,183	687,316
Water supply and distribution	564,560	635,242	570,122
General administration	466,968	500,703	449,700
Roads, streets, walks, lighting	311,228	444,301	454,763
Family and community support services	264,116	305,523	296,488
Common services	185,814	189,640	226,543
Wastewater treatment and disposal	100,081	148,891	119,737
Waste management	147,682	146,263	142,337
Fire fighting and protective services	74,717	75,631	74,733
Council and legislative	70,187	63,170	53,258
Bylaw enforcement	62,395	60,484	45,860
Economic development and community services	62,335	52,708	63,296
Land use planning, zoning and development	49,220	49,217	49,217
Storm sewers and drainage	23,586	30,152	30,863
Culture	28,370	29,005	28,276
Airport	17,162	16,237	17,162
Cemetery	8,556	8,666	30,336
Physician recruitment	5,368	5,725	5,738
Subdivision land and development	570	100	100
	<u>3,015,509</u>	<u>3,476,841</u>	<u>3,345,845</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER	<u>177,925</u>	<u>56,072</u>	<u>(98,467)</u>
OTHER REVENUES (EXPENSES)			
Government transfers for capital (Schedule 4)	1,692,045	866,007	57,590
Gain on disposal of tangible capital assets	-	-	500
	<u>1,692,045</u>	<u>866,007</u>	<u>58,090</u>
ANNUAL SURPLUS (DEFICIT)	<u>1,869,970</u>	<u>922,079</u>	<u>(40,377)</u>
ACCUMULATED SURPLUS - TO BEGIN YEAR	<u>14,618,437</u>	<u>14,618,437</u>	<u>14,658,814</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 16,488,407</u>	<u>\$ 15,540,516</u>	<u>\$ 14,618,437</u>

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

TOWN OF FALHER
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2024

	2024 (Budget) (Note 14)	2024 (Actual)	2023 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ 1,869,970	\$ 922,079	\$ (40,377)
Amortization of tangible capital assets	-	472,388	472,460
Purchase of tangible capital assets	1,692,045	(866,007)	(194,655)
Proceeds on disposal of tangible capital assets	-	-	500
Gain on disposal of tangible capital assets	-	-	(500)
Use (acquisition) of prepaid expenses	-	(900)	3,799
Use (acquisition) of inventory for consumption	-	(926)	643
	1,692,045	(395,445)	282,247
INCREASE IN NET FINANCIAL ASSETS	3,562,015	526,634	241,870
NET FINANCIAL ASSETS - BEGINNING OF YEAR	3,758,358	3,758,358	3,516,488
NET FINANCIAL ASSETS - END OF YEAR	\$ 7,320,373	\$ 4,284,992	\$ 3,758,358

TOWN OF FALHER
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2024

	2024	2023
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ 922,079	\$ (40,377)
Item not affecting cash and cash equivalents:		
Amortization of tangible capital assets	472,388	472,460
Gain on disposal of tangible capital assets	-	(500)
	<u>1,394,467</u>	<u>431,583</u>
Changes in non-cash working capital:		
Accounts receivable	374,142	(231,450)
Loan receivable	8,183	9,334
Accounts payable and accrued liabilities	209,426	(12,859)
Deposit liabilities	2,220	3,450
Deferred revenue	64,458	198,445
Prepaid expenses	(900)	3,799
Inventory for consumption	(926)	643
	<u>656,603</u>	<u>(28,638)</u>
Cash flow from operating activities	<u>2,051,070</u>	<u>402,945</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(866,007)	(194,655)
Proceeds on disposal of property, plant and equipment	-	500
Net change in investments	<u>(44,034)</u>	<u>(29,675)</u>
Cash flow used by investing activities	<u>(910,041)</u>	<u>(223,830)</u>
FINANCING ACTIVITY		
Repayment of long-term debt	<u>(35,487)</u>	<u>(33,920)</u>
Cash flow used by financing activity	<u>(35,487)</u>	<u>(33,920)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>1,105,542</u>	<u>145,195</u>
Cash and cash equivalents - beginning of year	<u>2,687,452</u>	<u>2,542,257</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 3,792,994</u></u>	<u><u>\$ 2,687,452</u></u>

TOWN OF FALHER
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2024

(Schedule 1)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2024	2023
COST								
BALANCE, BEGINNING OF YEAR	\$ 332,482	\$ 1,066,482	\$ 5,640,448	\$ 16,233,534	\$ 1,003,705	\$ 357,291	\$ 24,633,942	\$ 24,451,287
Purchase of tangible capital assets	-	-	-	866,007	-	-	866,007	194,655
Disposal of tangible capital assets	-	-	-	-	-	-	-	(12,000)
BALANCE, END OF YEAR	332,482	1,066,482	5,640,448	17,099,541	1,003,705	357,291	25,499,949	24,633,942
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	691,917	2,436,156	9,774,097	662,013	217,765	13,781,948	13,321,488
Amortization of tangible capital assets	-	54,663	113,128	260,650	26,811	17,136	472,388	472,460
Disposal of tangible capital assets	-	-	-	-	-	-	-	(12,000)
BALANCE, END OF YEAR	-	746,580	2,549,284	10,034,747	688,824	234,901	14,254,336	13,781,948
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 332,482	\$ 319,902	\$ 3,091,164	\$ 7,064,794	\$ 314,881	\$ 122,390	\$ 11,245,613	\$ 10,851,994
 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, 2023	 \$ 332,482	 \$ 374,565	 \$ 3,204,292	 \$ 6,459,437	 \$ 341,692	 \$ 139,526		 \$ 10,851,994

Included in the net book value of tangible capital assets is work-in-progress of \$718,696 (2023 - \$57,590).

TOWN OF FALHER
Schedule of Equity in Tangible Capital Assets **(Schedule 2)**
For the Year Ended December 31, 2024

	2024	2023
BALANCE, BEGINNING OF YEAR	\$ 10,779,380	\$ 11,023,265
Purchase of tangible capital assets	866,007	194,655
Amortization of tangible capital assets	(472,388)	(472,460)
Repayment of long-term debt	35,487	33,920
Cost of tangible capital assets disposed of	-	(12,000)
Accumulated amortization of tangible capital assets disposed	-	12,000
BALANCE, END OF YEAR	\$ 11,208,486	\$ 10,779,380
Equity in tangible capital assets is comprised of:		
Net book value of tangible capital assets <i>(Schedule 1)</i>	\$ 11,245,613	\$ 10,851,994
Long-term debt <i>(Note 8)</i>	(37,127)	(72,614)
	\$ 11,208,486	\$ 10,779,380

TOWN OF FALHER
Schedule of Property Taxes
For the Year Ended December 31, 2024

(Schedule 3)

	2024 (Budget) (Note 14)	2024 (Actual)	2023 (Actual)
TAXATION			
Real property taxes	\$ 1,563,129	\$ 1,563,637	\$ 1,542,643
Designated industrial property taxes	68,287	68,287	58,855
Government grants in lieu of property taxes	12,398	12,398	12,226
Local improvement taxes	10,624	2,037	2,037
	<u>1,654,438</u>	<u>1,646,359</u>	<u>1,615,761</u>
REQUISITIONS			
Alberta School Foundation Fund	245,844	245,844	253,936
Heart River Seniors Foundation	30,375	30,375	28,076
Designated Industrial Property	233	-	-
	<u>276,452</u>	<u>276,219</u>	<u>282,012</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 1,377,986</u>	<u>\$ 1,370,140</u>	<u>\$ 1,333,749</u>

TOWN OF FALHER
Schedule of Government Transfers
For the Year Ended December 31, 2024

(Schedule 4)

	2024 (Budget) (Note 14)	2024 (Actual)	2023 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 329,171	\$ 335,746	\$ 305,244
Local government	64,295	64,295	63,876
Federal government	9,777	10,500	8,249
	<u>403,243</u>	<u>410,541</u>	<u>377,369</u>
TRANSFERS FOR CAPITAL			
Provincial government	<u>1,692,045</u>	<u>866,007</u>	<u>57,590</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 2,095,288</u>	<u>\$ 1,276,548</u>	<u>\$ 434,959</u>

TOWN OF FALHER
Schedule of Expenses by Object
For the Year Ended December 31, 2024

(Schedule 5)

	2024 (Budget) (Note 14)	2024 (Actual)	2023 (Actual)
Salaries, wages and benefits	\$ 1,167,120	\$ 1,057,067	\$ 1,057,666
Materials, goods and utilities	827,088	942,046	780,400
Contracted and general services	815,778	756,858	809,943
Amortization of tangible capital assets	-	472,388	472,460
Transfers to other governments	125,927	125,927	114,114
Transfers to individuals and organizations	33,958	44,459	49,265
Transfers to local boards and agencies	39,018	38,092	40,454
Provision for allowances	-	35,000	15,000
Interest on long-term debt	4,484	2,846	4,417
Bank charges and short-term interest	2,136	2,158	2,126
	\$ 3,015,509	\$ 3,476,841	\$ 3,345,845

TOWN OF FALHER
Schedule of Segmented Disclosure
For the Year Ended December 31, 2024

(Schedule 6)

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	2024
REVENUES								
Net municipal property taxes	\$ 519,603	\$ 96,106	\$ 403,477	\$ -	\$ -	\$ 84,720	\$ 266,234	\$ 1,370,140
User fees and sales of goods	21,846	-	4,268	924,144	31,926	-	58,411	1,040,595
Government transfers for operating	12,999	35,000	27,915	16,500	232,627	-	85,500	410,541
Investment income	220,403	-	-	-	-	-	-	220,403
Rentals	6,960	-	2,400	-	1,529	3,934	158,867	173,690
Franchise and concession contracts	170,454	-	-	-	-	-	-	170,454
Other revenues	2,271	65	689	2,448	50,677	11,662	16,077	83,889
Penalties and costs on taxes	47,477	-	-	-	-	-	-	47,477
Licenses and permits	9,750	4,470	-	-	-	1,030	-	15,250
Fines	-	474	-	-	-	-	-	474
	1,011,763	136,115	438,749	943,092	316,759	101,346	585,089	3,532,913
EXPENSES								
Salaries, wages and benefits	360,746	-	186,803	44,948	170,506	880	293,184	1,057,067
Materials, goods and utilities	15,609	1,208	107,396	615,941	36,213	3,933	161,746	942,046
Contracted and general services	143,924	8,980	128,313	205,544	96,684	68,807	104,606	756,858
Transfers to other governments	-	125,927	-	-	-	-	-	125,927
Transfer to individuals & organizations	-	-	-	-	15,881	5,871	22,707	44,459
Transfers to local boards and agencies	-	-	16,237	-	-	21,855	-	38,092
Provision for allowances	35,000	-	-	-	-	-	-	35,000
Interest on long-term debt	-	-	-	-	-	-	2,846	2,846
Bank charges and short-term interest	2,158	-	-	-	-	-	-	2,158
	557,437	136,115	438,749	866,433	319,284	101,346	585,089	3,004,453
NET REVENUE (DEFICIT) BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS	454,326	-	-	76,659	(2,525)	-	-	528,460
Amortization of tangible capital assets	6,434	-	241,581	63,962	632	680	159,099	472,388
NET REVENUE (DEFICIT)	\$ 447,892	\$ -	\$ (241,581)	\$ 12,697	\$ (3,157)	\$ (680)	\$ (159,099)	\$ 56,072

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, 2023

(Schedule 7)

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	2023
REVENUES								
Net municipal property taxes	\$ 406,853	\$ 85,917	\$ 449,252	\$ -	\$ -	\$ 98,903	\$ 292,824	\$ 1,333,749
User fees and sales of goods	19,997	-	6,387	814,979	43,153	-	19,805	904,321
Government transfers for operating	13,839	30,000	26,907	10,000	231,073	-	65,550	377,369
Investment income	178,136	-	-	-	-	-	-	178,136
Rentals	6,960	-	2,400	-	241	3,288	161,534	174,423
Franchise and concession contracts	163,822	-	-	-	-	-	-	163,822
Other revenues	2,721	-	-	1,816	30,098	5,638	16,781	57,054
Penalties and costs on taxes	39,573	-	-	-	-	-	-	39,573
Licenses and permits	10,150	4,140	-	-	-	4,105	-	18,395
Fines	-	536	-	-	-	-	-	536
	842,051	120,593	484,946	826,795	304,565	111,934	556,494	3,247,378
EXPENSES								
Salaries, wages and benefits	335,735	-	246,228	47,967	178,883	867	247,986	1,057,666
Contracted and general services	130,323	9,621	96,381	227,454	127,562	78,618	139,984	809,943
Materials, goods and utilities	13,338	330	121,703	495,545	4,687	3,286	141,511	780,400
Transfers to other governments	-	110,642	3,472	-	-	-	-	114,114
Transfer to individuals & organizations	-	-	-	-	20,798	5,871	22,596	49,265
Transfers to local boards and agencies	-	-	17,162	-	-	23,292	-	40,454
Provision for allowances	15,000	-	-	-	-	-	-	15,000
Interest on long-term debt	-	-	-	-	-	-	4,417	4,417
Bank charges and short-term interest	2,126	-	-	-	-	-	-	2,126
	496,522	120,593	484,946	770,966	331,930	111,934	556,494	2,873,385
NET REVENUE (DEFICIT) BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS	345,529	-	-	55,829	(27,365)	-	-	373,993
Amortization of tangible capital assets	6,434	-	244,385	61,230	632	680	159,099	472,460
NET REVENUE (DEFICIT)	\$ 339,095	\$ -	\$ (244,385)	\$ (5,401)	\$ (27,997)	\$ (680)	\$ (159,099)	\$ (98,467)

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, 2024

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, 2024

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, 2024

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.

(continues)

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2024

1. ACCOUNTING POLICIES (continued)

(n) Asset Retirement

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Town to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with the use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the Town reviews the carrying amount of the liability. The Town recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Town continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

2. CASH AND CASH EQUIVALENTS

	2024	2023
Bank accounts	\$ 2,061,510	\$ 1,044,434
Notice on demand bank accounts	1,731,274	1,642,808
Petty cash	210	210
	<u>\$ 3,792,994</u>	<u>\$ 2,687,452</u>

Notice on demand bank accounts bear interest at rates ranging from prime minus 1.550% to prime minus 1.900% and require notice to access funds of between 31 and 90 days.

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2024

3. ACCOUNTS RECEIVABLE

	2024	2023
Receivable from other governments	\$ 490,059	\$ 914,589
Taxes and grants in place of taxes	382,495	336,473
Utility accounts	74,639	56,416
Trade and other	51,113	37,265
Local improvement tax	49,828	58,415
Goods and Services Tax recoverable	23,690	8,171
Accrued interest	15,390	15,027
	1,087,214	1,426,356
Less: allowance for doubtful accounts	(100,000)	(65,000)
	\$ 987,214	\$ 1,361,356

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, 2024, \$26,850 (2023 - \$26,850) of the funds have been released, with \$Nil (2023 - \$8,183) receivable. The loan is repayable in blended semi-annual payments averaging approximately \$5,000 including interest at 2.16% until December 2024.

5. INVESTMENTS

	2024	2023
Term deposits	\$ 872,156	\$ 835,309
Vision Credit Union common shares	28,819	21,786
Other	3,795	3,641
	\$ 904,770	\$ 860,736

Term deposits bear interest at rates of 4.25% per annum and mature at dates between June 27, 2025 - September 14, 2025.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2024	2023
Trade and other	\$ 360,438	\$ 152,384
Employee earned vacation, sick and overtime liability	71,021	69,578
Accrued interest on long-term debt	74	145
	\$ 431,533	\$ 222,107

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2024

7. DEFERRED REVENUE

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

	<u>2024</u>	<u>2023</u>
Municipal Sustainability Initiative - Capital	\$ 407,787	\$ 582,937
Local Government Fiscal Framework - Capital	356,302	-
Canada Community-Building Fund	185,328	281,914
Family and community support services	147,224	150,885
Other	6,676	7,270
Municipal Sustainability Initiative - Operating	-	15,853
	<u>\$ 1,103,317</u>	<u>\$ 1,038,859</u>

8. LONG-TERM DEBT

	<u>2024</u>	<u>2023</u>
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$19,202 including interest at 4.5690% maturing December 2025.	<u>\$ 37,127</u>	<u>\$ 72,614</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	<u>\$ 37,127</u>	<u>\$ 1,277</u>	<u>\$ 38,404</u>

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2024

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>2024</u>	<u>2023</u>
Total debt limit	\$ 5,299,370	\$ 4,871,067
Total debt	<u>(37,127)</u>	<u>(72,614)</u>
Total debt limit remaining	<u>\$ 5,262,243</u>	<u>\$ 4,798,453</u>
Service on debt limit	\$ 883,228	\$ 811,845
Service on debt	<u>(38,404)</u>	<u>(38,404)</u>
Total service on debt limit remaining	<u>\$ 844,824</u>	<u>\$ 773,441</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>2024</u>	<u>2023</u>
Unrestricted surplus	\$ 215,000	\$ 215,000
Restricted surplus		
Operating reserves (Note 11)	2,815,488	2,560,765
Capital reserves (Note 11)	1,301,542	1,063,292
Equity in tangible capital assets (Schedule 2)	<u>11,208,486</u>	<u>10,779,380</u>
	<u>\$ 15,540,516</u>	<u>\$ 14,618,437</u>

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2024

11. RESTRICTED SURPLUS

	2024	2023
Operating Reserves		
Water supply and distribution	\$ 644,438	\$ 596,661
Contingency (mill rate stabilization)	637,229	580,642
Recreation	393,348	329,200
Roads, streets, and storm sewers	276,140	276,988
Wastewater treatment and disposal	161,722	143,571
Community services and physician recruitment	133,406	134,948
Planning, subdivision and development	86,500	86,500
Waste management	81,436	85,158
Fire services	80,712	80,712
General administration	74,926	75,260
Common services	61,069	1,816
Bylaw enforcement	54,605	54,605
Cemetery	41,957	34,110
Council and legislative	37,763	28,263
Library	26,413	26,413
Ambulance and first aid	23,824	25,918
	\$ 2,815,488	\$ 2,560,765
Capital Reserves		
Roads and streets	\$ 593,136	\$ 417,136
Water supply and distribution	247,258	237,008
Common services (equipment replacement)	211,148	164,148
Fire services	84,104	84,104
Recreation (programs)	55,000	55,000
General administration	33,131	30,631
Wastewater treatment and disposal	27,000	27,000
Recreation (park equipment)	19,389	18,889
Recreation (recreation complex)	14,000	12,000
Recreation (swimming pool)	10,000	10,000
Recreation (campground)	7,376	7,376
	\$ 1,301,542	\$ 1,063,292

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:

	2024 (Budget) (Note 14)	2024 (Actual)	2023 (Actual)
ATCO electricity	\$ 101,473	\$ 99,221	\$ 96,630
ATCO natural gas	72,849	71,233	67,192
	\$ 174,322	\$ 170,454	\$ 163,822

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2024

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)	2024	2023
Mayor Buchinski	\$ 24,750	\$ 1,737	\$ 26,487	\$ 21,519
Councillors				
Brown	16,020	1,051	17,071	13,080
Lauze	3,620	138	3,758	5,407
Pizycki	3,140	78	3,218	4,058
Remillard	2,340	50	2,390	1,143
Chief Administrative Officer				
Bell	106,762	25,855	132,617	118,323
	\$ 156,632	\$ 28,909	\$ 185,541	\$ 163,530

The Town has Designated Officers as the clerks of both the intermunicipal subdivision and development appeal board and regional assessment review board by way of Bylaws No. 19-07 and 19-15, respectively, for which no costs were incurred in 2024 or 2023. The Town's assessor is also a Designated Officer by way of Bylaw No. 14-07. Contracted services of \$16,011 (2023 - \$15,768) was paid for assessment services in the year.

(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

	2024 (Budget)	2024 (Actual)
Annual surplus (deficit)	\$ 1,869,970	\$ 922,079
Amortization of tangible capital assets	-	472,388
Acquisition of tangible capital assets	(1,692,045)	(866,007)
Repayment of long-term debt	(33,920)	(35,487)
Transfers between functions	-	-
Net transfers (to) from reserves:		(492,973)
Funding acquisition of tangible capital assets	-	-
Other net transfers from reserves	51,726	-
Other net transfers to reserves	(195,731)	-
Results of operations	\$ -	\$ -

The budget data presented in these consolidated financial statements is based on the operating and capital budgets approved by Town Council on April 10, 2024. 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, 2024

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%.

	2024	2023
Share of assets	\$ 39,618	\$ 38,964
Share of liabilities	(972)	(972)
Share of accumulated surplus for the year ended December 31	38,646	37,992
Total revenues	20,400	20,400
Total expenses	(15,701)	(11,379)
Share of annual surplus for the year ended December 31	\$ 846	\$ 1,624

TOWN OF FALHER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2024

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% (2023 - 8.45%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.65% (2023 - 12.23%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 7.45% (2023 - 7.45%) of pensionable earnings up to the year's maximum pensionable earnings and 10.65% (2023 - 11.23%) on pensionable earnings above this amount.

Total current and past service contributions by the Town to the LAPP in 2024 were \$52,167 (2023 - \$54,422). Total current and past service contributions by employees of the Town to the LAPP in 2024 were \$46,210 (2023 - \$48,237).

At December 31, 2023 the LAPP disclosed an actuarial surplus of \$15.057 billion (2022 - \$12.671 billion).

20. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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