

TOWN OF FALHER

Financial Statements

For the Year Ended December 31, 2014

TOWN OF FALHER
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014

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SYLVAIN & COMPANY

Certified General Accountants

Michel A. Sylvain, C.G.A.*
Jean R. Sylvain, C.G.A.*
Karen D. Lambert, C.G.A.*

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

INDEPENDENT AUDITORS' REPORT

To the Members of Council
TOWN OF FALHER

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of TOWN OF FALHER, which comprise the statement of financial position as at December 31, 2014, and the statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

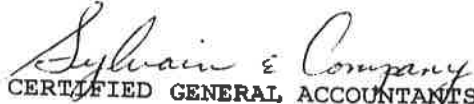
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the TOWN OF FALHER as at December 31, 2014 and the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Falher, Alberta
April 13, 2015


CERTIFIED GENERAL ACCOUNTANTS

TOWN OF FALHER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2014

	2014	2013
		Restated
FINANCIAL ASSETS	\$	\$
Cash and temporary investments (Note 2)	277,767	208,994
Receivables		
Taxes and grants in place of taxes (Note 3)	168,761	148,829
From other governments	43,960	12,541
Trade and other (Note 4 & 20)	317,927	146,116
Land held for resale inventory	13,429	13,429
Investments (Note 5)	3,237,324	3,298,449
Other financial assets (Note 6)	8,561	-
Debt charge recoverable (Note 7)	88,227	102,992
	4,155,956	3,931,350
LIABILITIES		
Accounts payable and accrued liabilities (Note 20)	187,982	119,858
Deposit liabilities	59,205	53,580
Deferred revenue (Note 8)	266,598	320,939
Employee benefit obligations (Note 9)	52,836	57,335
Long-term debt (Note 10)	417,387	478,562
	984,008	1,030,274
NET FINANCIAL ASSETS (DEBT)	3,171,948	2,901,076
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12)	10,807,503	9,989,125
Inventory for consumption	5,683	5,915
Prepaid expenses	8,183	3,812
	10,821,369	9,998,852
ACCUMULATED SURPLUS (Schedule 1 and Note 14)	13,993,317	12,899,928

Commitments and contingencies - See Notes 18 and 19

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER
CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013 Restated
	\$	\$	\$
REVENUE			
Net municipal taxes (Schedule 3)	1,306,825	1,265,033	1,048,400
User fees and sales of goods	932,329	925,653	893,719
Government transfers for operating (Schedule 4)	394,910	326,618	464,309
Penalties and costs on taxes	12,000	14,606	15,452
Franchise and concession contracts	100,000	114,431	107,061
Investment income	37,000	60,899	44,385
Licenses, permits and fines	10,360	12,604	10,696
Rentals	126,300	137,490	134,954
Drawn from allowances	-	-	-
Gain on disposal of tangible capital assets	-	-	-
Other revenues	35,900	87,689	88,438
Total Revenue	2,955,624	2,945,023	2,807,414
EXPENSES			
Council and other legislative	57,800	46,586	53,221
General administration	401,406	370,230	389,913
Fire fighting and protective services	82,850	78,878	76,805
By-law enforcement	7,320	7,602	5,796
Common services	202,229	206,013	167,577
Roads, streets, walks, lighting	461,038	432,469	402,707
Airport	19,360	19,360	19,360
Storm sewers and drainage	39,653	28,956	25,892
Water supply and distribution	566,399	537,296	532,895
Wastewater treatment and disposal	194,995	115,177	201,726
Waste management	102,620	101,559	96,739
Family and community support services	211,238	219,160	224,545
Physician recruitment	4,806	4,806	11,588
Cemetery	9,650	5,646	6,233
Land use planning, zoning and development	23,000	22,688	-
Economic development and community services	78,542	67,599	119,346
Subdivision land and development	500	374	-
Parks and recreation	561,552	557,912	580,313
Culture: library	21,827	25,207	22,201
Total Expenses	3,046,785	2,847,518	2,936,857
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(91,161)	97,505	(129,443)
OTHER			
Contributed assets	-	-	-
Organization transfers for capital	326,424	321,556	10,344
Government transfers for capital (Schedule 4)	972,200	674,328	479,797
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	1,207,463	1,093,389	360,698
ACCUMULATED SURPLUS, BEGINNING OF YEAR	12,899,928	12,899,928	12,539,230
ACCUMULATED SURPLUS, END OF YEAR	14,107,391	13,993,317	12,899,928

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

For the Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013 Restated
	\$	\$	\$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	1,207,463	1,093,389	360,698
Acquisition of tangible capital assets	(1,540,624)	(1,257,979)	(541,214)
Contributed tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	-	-	44,496
Amortization of tangible capital assets	428,143	416,184	414,632
(Gain) loss on sale of tangible capital assets	-	23,417	24,812
	(1,112,481)	(818,378)	(57,274)
Acquisition of supplies inventories	(66,095)	(74,085)	(62,934)
Acquisition of prepaid assets	(48,673)	(37,559)	(39,413)
Use of supplies inventories	66,095	74,317	62,934
Use of prepaid assets	48,673	33,188	41,044
	-	(4,139)	1,631
INCREASE (DECREASE) IN NET ASSETS	94,982	270,872	305,055
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	2,901,076	2,901,076	2,596,021
NET FINANCIAL ASSETS (DEBT), END OF YEAR	2,996,058	3,171,948	2,901,076

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER
CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2014

	2014	2013
	\$	Restated \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	1,093,389	360,698
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	416,184	414,632
Gain (loss) on disposal of tangible capital assets	23,417	24,812
Tangible capital assets received as contributions	-	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(19,932)	(2,590)
Decrease (increase) in from other government receivables	(31,419)	13,628
Decrease (increase) in trade and other receivables	(171,811)	25,753
Decrease (increase) in land held for resale	-	(13,429)
Decrease (increase) in other financial assets	(8,561)	-
Decrease (increase) in inventory of materials and supplies	232	-
Decrease (increase) in prepaid expenses	(4,371)	1,631
Increase (decrease) in accounts payable and accrued liabilities	68,124	(30,349)
Increase (decrease) in deposit liabilities	5,625	4,736
Increase (decrease) in deferred revenue	(54,341)	(13,821)
Increase (decrease) in employee benefit obligations	(4,499)	1,522
Cash provided by operating transactions	<u>1,312,037</u>	<u>787,223</u>
CAPITAL		
Acquisition of tangible capital assets	(1,257,979)	(541,214)
Sale of tangible capital assets	-	44,496
Cash provided by (applied to) capital transactions	<u>(1,257,979)</u>	<u>(496,718)</u>
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	80,244	(4,378)
Decrease (increase) in investments	61,125	(1,241,149)
Cash provided by (applied to) investing transactions	<u>141,369</u>	<u>(1,245,527)</u>
FINANCING		
Debt charges recoverable	14,765	13,929
Long-term debt issued	-	-
Long-term debt repaid	(61,175)	(71,107)
Cash provided by (applied to) financing transactions	<u>(46,410)</u>	<u>(57,178)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	<u>149,017</u>	<u>(1,012,200)</u>
CASH AND CASH EQUIVALENTS (SHORTAGE), BEGINNING OF YEAR	<u>(109,683)</u>	<u>902,517</u>
CASH AND CASH EQUIVALENTS (SHORTAGE), END OF YEAR	<u>39,334</u>	<u>(109,683)</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	277,767	208,994
Less: restricted portion of cash and temporary investments (Note 2)	(238,433)	(318,677)
	<u>39,334</u>	<u>(109,683)</u>

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

Schedule 1

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

For the Year Ended December 31, 2014

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2014	2013 Restated
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR (RESTATED)	219,121	3,067,252	9,613,555	12,899,928	12,539,230
Excess (deficiency) of revenues over expenses	1,093,389	-	-	1,093,389	360,698
Unrestricted funds designated for future use	(471,094)	471,094	-	-	-
Restricted funds used for operations	132,133	(132,133)	-	-	-
Restricted funds used for tangible capital assets	-	(110,629)	110,629	-	-
Current year funds used for tangible capital assets	(1,147,350)	-	1,147,350	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	23,417	-	(23,417)	-	-
Annual amortization expense	416,184	-	(416,184)	-	-
Capital long-term debt repaid	(46,410)	-	46,410	-	-
CHANGE IN ACCUMULATED SURPLUS	269	228,332	864,788	1,093,389	360,698
BALANCE, END OF YEAR	219,390	3,295,584	10,478,343	13,993,317	12,899,928

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

Schedule 2

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2014

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
COST:								
BALANCE, BEGINNING OF YEAR	329,900	334,148	5,543,553	13,104,113	622,473	214,102	20,148,289	19,936,714
Acquisition of tangible capital assets	-	344,201	-	913,778	-	-	1,257,979	540,404
Construction-in-progress	-	-	-	-	-	-	-	810
Disposal of tangible capital assets	-	(16,900)	-	(1142,777)	-	-	(159,677)	(329,639)
Write down of tangible capital assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	329,900	661,449	5,543,553	13,875,114	622,473	214,102	21,246,591	20,148,289
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	224,575	1,386,232	7,871,968	553,657	122,732	10,159,164	10,004,863
Annual amortization	-	8,809	111,989	250,405	30,893	14,088	416,184	414,632
Accumulated amortization on disposals	-	(16,900)	-	(119,360)	-	-	(136,260)	(260,331)
BALANCE, END OF YEAR	-	216,484	1,498,221	8,003,013	584,550	136,820	10,439,088	10,159,164
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	329,900	444,965	4,045,332	5,872,101	37,923	77,282	10,807,503	9,989,125
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	329,900	109,573	4,157,321	5,232,145	68,816	91,370	9,989,125	

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

Schedule 3

SCHEDULE OF PROPERTY AND OTHER TAXES

For the Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013 Restated
	\$	\$	\$
TAXATION			
Real property taxes	1,278,641	1,242,085	1,178,270
Linear property taxes	45,327	46,060	43,969
Government grants in place of property taxes	59,221	59,505	58,438
Special assessments and local improvement taxes	158,672	152,419	1,566
	<u>1,541,861</u>	<u>1,500,069</u>	<u>1,282,243</u>
REQUISITIONS			
Alberta School Foundation Fund	223,260	223,260	222,025
Heart River Seniors Foundation	11,776	11,776	11,818
	<u>235,036</u>	<u>235,036</u>	<u>233,843</u>
NET MUNICIPAL TAXES	<u>1,306,825</u>	<u>1,265,033</u>	<u>1,048,400</u>

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

Schedule 4

SCHEDULE OF GOVERNMENT TRANSFERS

For the Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013
	\$	\$	\$
TRANSFERS FOR OPERATING			
Federal Government	14,268	5,672	11,820
Provincial Government - conditional	322,348	277,828	408,512
- unconditional	-	-	-
Local Government	58,294	43,118	43,977
	394,910	326,618	464,309
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	972,200	674,328	479,797
Local Government	-	-	-
	972,200	674,328	479,797
TOTAL GOVERNMENT TRANSFERS	1,367,110	1,000,946	944,106

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

Schedule 5

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT

For the Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013 Restated
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	834,300	832,242	756,813
Contracted and general services	744,421	603,719	724,812
Materials, goods and utilities (Note 20)	796,835	761,960	782,893
Provision for allowance	-	-	-
Transfer to other governments	63,200	63,202	61,784
Transfers to local boards and agencies	40,720	40,466	41,419
Transfers to individuals and organizations	49,767	75,567	83,813
Bank charges and short-term interest	150	368	90
Interest on long-term debt (Note 10)	24,849	24,339	25,166
Amortization of tangible capital assets	428,143	416,184	414,632
Loss on disposal of tangible capital assets	-	23,417	24,812
Other expenditures	14,400	6,054	20,623
	2,996,785	2,847,518	2,936,857

See accompanying schedules and notes to the financial statements.

Schedule 6

**TOWN OF FALHER
SCHEDULE OF SEGMENTED DISCLOSURE
For the Year Ended December 31, 2014**

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation Culture	Other	Total 2014
	\$	\$	\$	\$	\$	\$	\$
REVENUE							
Net municipal taxes	1,112,614	-	150,990	1,429	-	-	1,265,033
User fees and sales of goods	24,097	700	26,098	794,640	60,284	19,834	925,653
Government transfers for operating	-	-	39,000	6,315	64,325	216,978	326,618
Penalties and costs on taxes	14,606	-	-	-	-	-	14,606
Franchise and concession contracts	114,431	-	-	-	-	-	114,431
Licenses, permits and fines	6,565	6,039	-	-	-	-	12,604
Investment income	59,888	-	476	535	-	-	60,899
Rentals	4,080	22,356	-	-	107,458	3,596	137,490
Drawn from allowances	-	-	-	-	-	-	-
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-
Other revenues	22,405	3	-	1,572	51,864	11,845	87,689
	1,358,686	29,098	216,564	804,491	283,931	252,253	2,945,023
EXPENSES							
Salaries, wages and benefits	271,326	619	214,567	39,003	140,579	166,148	832,242
Contracted and general services	100,948	9,233	125,845	132,804	145,892	88,997	603,719
Purchases from other governments	-	-	-	-	-	-	-
Materials, goods and utilities	26,000	10,527	114,562	469,799	135,390	5,682	761,960
Provision for allowance	-	-	-	-	-	-	-
Transfers to other governments	-	63,202	-	-	-	-	63,202
Transfers to local boards and agencies	-	-	40,466	-	-	-	40,466
Transfers to individuals and organizations	4,200	-	-	-	37,813	33,554	75,567
Bank charges and short-term interest	368	-	-	-	-	-	368
Interest on long-term debt (Note 8)	-	-	-	8,568	15,771	-	24,339
Other expenditures	6,054	-	-	-	-	-	6,054
Loss on disposal of tangible capital assets	-	-	23,417	-	-	-	23,417
	408,896	83,581	518,857	650,174	475,445	294,381	2,431,334
Net revenue before amortization and transfers for capital							
Amortization	949,790	(54,483)	(302,293)	154,317	(191,514)	(42,126)	513,689
Organization transfers for capital	(7,919)	(2,900)	(189,048)	(103,858)	(107,674)	(4,785)	(416,184)
Contributed assets	-	-	-	-	321,556	-	321,556
Government transfers for capital	-	-	674,328	-	-	-	674,328
	941,871	(57,383)	182,987	50,459	22,368	(46,913)	1,093,389
NET REVENUE (SHORTFALL)							

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the TOWN OF FALHER are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the town are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the town and are, therefore, accountable to the town Council for the administration of their financial affairs and resources. Included with the municipality are the following:

Smoky River F.C.S.S.
Smoky River Regional Committee

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES - CON'T

d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

e) Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

f) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as a property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

g) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under their respective function.

h) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES - CON'T

i) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

j) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

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

Annual amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost, with costs realized on a first-in first-out basis.

TOWN OF FALHER**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2014

2. CASH AND TEMPORARY INVESTMENTS

	2014	2013
		Restated
	\$	\$
Cash	110	160
Current bank accounts	68,400	43,876
Savings - public recreation reserve	-	-
Savings - other	199,257	154,958
Temporary investments - term deposits	10,000	10,000
	277,767	208,994

Temporary investments are short-term deposits with original maturities of 3 months or less.

Included in cash and temporary investments is a restricted amount of \$237,523 (2013: \$316,859) received from the provincial, federal government and local organizations held exclusively for specific projects. Interest earned of \$910 (2013: \$0) on unspent provincial funds is also restricted as per funding agreements and must be spent on the related specific projects.

The recreation land reserve of \$0 (2013: \$1,818) is externally restricted.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2014	2013
	\$	\$
Current taxes and grants in place of taxes	32,349	33,591
Arrears taxes	175,311	154,137
	207,660	187,728
Less: Allowance for doubtful accounts	38,899	38,899
	168,761	148,829

4. TRADE AND OTHER RECEIVABLES

	2014	2013
		(Restated)
	\$	\$
Local improvement levies	172,405	23,821
Accrued interest	37,444	36,059
Trade accounts	48,520	32,615
Utility accounts	59,558	53,621
	317,927	146,116

Local improvement levies of \$10,809 are to be received in 2015 with the balance of \$161,606 to be received in the years 2016 to 2029.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

5. INVESTMENTS

	2014		2013	
	Cost	Market Value	Restated	
			Cost	Market Value
	\$	\$	\$	\$
Long-term deposits (A.T.B.)	2,370,445	2,370,445	2,283,405	2,283,405
Long-term deposit (B.M.O)	318,669	318,669	312,574	312,574
Long-term deposits (Vision C.U.)	538,902	538,902	692,982	692,982
ACFA share	10	10	10	10
Equity in A.A.M.D.&C.	51	51	131	131
Equity held in Vision Credit Union	6,414	6,414	6,594	6,594
Equity held in Falher Co-op	2,833	2,833	2,753	2,753
	3,237,324	3,237,324	3,298,449	3,298,449

Term deposit (B.M.O.) has a rate of return of 1.95% over a 2 year period and matures on September 9, 2015.

Term deposits (Vision Credit Union) have effective interest rates ranging from 1.5% to 1.75% and mature on dates between March 17, 2015 to June 15, 2015.

Term deposits (A.T.B) have effective interest rates ranging from 1.59% to 2.2% and mature on dates between May 2, 2015 to February 3, 2016.

6. OTHER FINANCIAL ASSETS

	2014	2013
	\$	\$
Requisition under-levy - education taxes	8,561	-

7. DEBT CHARGES RECOVERABLE

	2014	2013
	\$	\$
Current debt charges recoverable	15,651	14,765
Non-current debt charges recoverable	72,576	88,227
	88,227	102,992

As of January 1, 2007 the town has transferred all of its water supply and treatment plant assets to the Smoky River Water Management Commission. The commission in turn agreed to pay all remaining principal and interest (6.0%) payments on the water supply line and treatment debenture which matures on July 15, 2019.

	Principal	Interest	Total
2015	15,651	5,294	20,945
2016	16,590	4,355	20,945
2017	17,586	3,359	20,945
2018	18,641	2,304	20,945
2019	19,759	1,185	20,944
2020 to maturity	-	-	-
	88,227	16,497	104,724

TOWN OF FALHER**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2014

8. DEFERRED REVENUE

	2014	2013
	\$	\$
Provincial government transfers		
Federal Gas Tax Fund	-	54,576
Alberta Tourism	-	7,184
Health and Youth Relations	625	-
Municipal Sustainability Initiative	102,029	141,775
Basic Municipal Transportation	91,017	91,017
	193,671	294,552
Interest earned on deferred government transfers	910	-
Prepaid property tax revenue	2,496	4,080
Prepaid licenses and other fees	5,669	-
Prepaid rental	20,000	-
Restricted donations	43,852	22,307
Requisition over-levy	-	-
	266,598	320,939

Provincial, federal, interest and restricted donations funding as per above \$238,433 remains unspent at year-end. The use of these funds is restricted to eligible projects as approved under the funding agreements. Unexpended funds related to the advances are supported by cash temporary investments of \$277,767 held exclusively for these projects (refer Note 2).

9. EMPLOYEE BENEFIT OBLIGATIONS

	2014	2013
	\$	\$
Sick pay benefits obligations	3,450	3,081
Vacation and overtime	49,386	54,254
	52,836	57,335

Sick pay benefits

The sick pay benefits liability is comprised of sick pay that accumulates but does not vest and is paid only upon an illness or injury-related absence. The extent to which accumulated sick days are expected to be used by the employees has been considered in measuring this obligation.

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

TOWN OF FALHER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

10. LONG-TERM DEBT

	2014	2013
	\$	\$
Bank loan	-	-
Debentures:		
Supported by general tax levies	329,160	351,748
Supported by special levies	-	23,822
Supported by debt charges recoverable	88,227	102,992
Supported by utility rates	-	-
	417,387	478,562
Current portion of long-term debt	39,283	39,760

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2015	39,283	20,066	59,349
2016	41,314	18,035	59,349
2017	43,452	15,897	59,349
2018	45,702	13,647	59,349
2019	48,071	11,277	59,348
Thereafter	199,565	30,860	230,425
	417,387	109,782	527,169

The bank loan represented the town's 16.5% share of the mortgage used to purchase a residential property for physician recruitment. The town's share of the bank loan was repayable in monthly instalments of \$248 including principal and interest at 5.15% maturing in October 2029. The Alberta Treasury Branch mortgage was secured by residential property located in the Town of McLennan. During February 2013, the property was sold and the mortgage was repaid in full.

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 4.569% to 6.0% per annum and matures in periods 2019 to 2025. The average annual interest rate is 4.89% for 2014 (4.79% for 2013). Debenture debt is issued on the credit and security of the Town of Falher at large.

Interest on long-term debt amounted to \$24,339 (2013 - \$25,166).

The town's total cash payments for interest in 2014 were \$24,849 (2013 - \$25,601)

TOWN OF FALHER
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

11. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Falher be disclosed as follows:

	2014	2013
	\$	\$
Total debt limit	4,899,869	4,226,637
Total debt	329,160	375,570
Amount of debt limit unused	4,570,709	3,851,067
Debt servicing limit	816,645	704,440
Debt servicing	38,404	42,240
Amount of debt servicing above limit	778,241	662,200

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

12. TANGIBLE CAPITAL ASSETS

Net Book Value	2014	2013
	\$	\$
Land	329,900	329,900
Land improvements	444,965	109,573
Buildings	4,045,332	4,157,321
Engineered Structures		
Roadway system	2,413,705	1,808,803
Storm sewer system	779,844	642,230
Water distribution system	1,597,963	1,634,545
Wastewater treatment system	1,079,779	1,145,757
Construction in progress - water and sewer	810	810
Machinery and equipment	37,923	68,816
Vehicles	77,282	91,370
	10,807,503	9,989,125

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	2014	2013
	\$	\$
Tangible capital assets (Schedule 2)	21,246,591	20,148,289
Accumulated amortization (Schedule 2)	(10,439,088)	(10,159,164)
Long-term debt (Note 10)	(417,387)	(478,562)
Debt charges recoverable (Note 7)	88,227	102,992
	10,478,343	9,613,555

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

14. ACCUMULATED SURPLUS

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

	2014	2013 Restated
	\$	\$
Unrestricted surplus (deficit)	219,390	219,121
Restricted surplus		
Council	18,663	11,663
Administration	78,000	86,000
Fire services (operations)	75,500	79,000
Ambulance and first aid	59,989	62,138
Roads and streets	244,217	244,217
Common services	4,000	4,000
By-law enforcement	8,500	7,000
Wastewater operations	95,791	46,841
Waste management	73,133	77,523
Water supply and distribution (operations)	469,837	377,293
F.C.S.S.	43,867	51,687
Cemetery	13,826	14,471
Planning, subdivision and development	41,500	29,000
Community services and physician recruitment	163,421	109,996
Recreation (facilities operations)	346,700	286,808
Library operations	4,800	19,300
Contingency (mill rate stabilization)	537,687	636,316
Administration (capital)	28,231	27,232
Fire services (capital)	86,604	116,604
Common services (equipment replacement)	64,000	12,000
Roads and streets (capital projects)	253,490	192,490
Storm sewers and drainage (capital projects)	22,471	22,471
Water distribution (capital)	265,426	255,426
Wastewater (capital)	82,484	78,484
Waste management (capital)	71,609	71,609
Recreation (capital)		
- park equipment	38,489	36,689
- wading pool	973	21,800
- swimming pool	10,000	10,000
- recreation programs	55,000	55,000
- campground	7,376	7,376
- public land reserve	-	1,818
Library (capital)	30,000	15,000
Equity in tangible capital assets	10,478,343	9,613,555
	13,993,317	12,899,928

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

15. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salary(1)	Benefits & Allowances(2)	2014 Total	2013 Total
Mayor:				
TARDIF, Margaret	-	-	-	10,148
BUCHINSKI, Donna	14,700	312	15,012	2,709
Councillors:				
BEAUDOIN, Guy	-	-	-	4,501
BRAITHWAITE, Gary	4,800	45	4,845	1,084
BUCHINSKI, Donna	-	-	-	7,738
DUBE, Philippe	-	-	-	2,006
FARRELL, Lynn	5,525	75	5,600	3,745
LIMOGES, Rene	1,675	6	1,681	1,577
PRIMEAU, Sandra	3,835	48	3,883	5,828
ST. LAURENT, Marie	2,425	22	2,447	750
	32,960	508	33,468	40,086
Chief Administrative Officer:				
PARKER, Adele	88,768	16,437	105,205	96,160
	121,728	16,945	138,673	136,246

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

2) For mayor and councillors, benefits and allowances consists of travel and general non-accountable expense allowances. For chief administrative officer, benefits and allowances consists of employer's share of Canada pension plan, employment insurance, registered retirement savings plan contributions, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance and long and short-term disability plans made on behalf of the employee.

16. SEGMENTED DISCLOSURE

The Town of Falher provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (schedule 6)

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

17. GOVERNMENT PARTNERSHIP

A Co-Owners agreement between the Village of Donnelly, Village of Girouxville, Town of Falher, Town of McLennan and the Municipal District of Smoky River #130 was made the 26th day of August, 2009. The land title was 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. During February 2013 the property was sold. The primary purpose of this agreement is to provide and maintain a building in McLennan to rent a residential dwelling to doctors and their family. This investment is accounted for by the proportionate consolidation method. A final cash distribution was made in July 2014 to all partners.

	2014	2013
	\$	\$
Share of assets (16.5%)	-	10,359
Share of liabilities (16.5%)	-	(525)
	-	15,713
Total revenues	965	2,286
Total expenditures	-	(37,922)
	965	(787)
Share of deficit for the year ended December 31 (16.5%)	159	(130)

18. CONTINGENCIES

The Town of Falher is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town of Falher could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

19. COMMITMENTS

The Town of Falher is committed to make quarterly lease payments of \$210 plus G.S.T. as per a 2011 Neopost office equipment lease. The agreement will expire in November, 2016. Total payments remaining including G.S.T. as of December 31, 2014 equal \$1,469.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

20. RELATED PARTY TRANSACTIONS

The Town of Falher is a member of the Smoky River Regional Water Management Commission and the Smoky River Regional Waste Management Commission and, as such, these commissions have been identified as related parties.

As per note 5, debt charges recoverable, the Smoky River Regional Water Management Commission has assumed remaining payments of the \$88,227 (2013: \$102,992) debenture plus interest. During the year, the Town of Falher paid \$459,333 (2013: \$457,572) to the Smoky River Regional Water Management Commission for the purchase of water. A total amount of \$3,200 (2013: \$3,000) was received from the commission for administration services provided by the town. The trade accounts receivable include \$264 (2013: \$406) which is due from the commission. Included in the town's accounts payable is an amount of \$35,820 (2013: \$30,870) due to the commission for the purchase of water consumed in December.

During the year, the Town of Falher paid \$80,490 (2013: \$77,806) to the Smoky River Regional Waste Management Commission for waste collection services and tipping fees. A total amount of \$7,900 (2013: \$7,600) was received from the commission for administration services provided by the town. Other amounts totalling \$49,518 (2013: \$35,569) were received by the Town of Falher from the commission for labor and equipment services. The trade accounts receivable include \$3,235 (2013: \$3,633) which is due from the commission. Included in the town's accounts payable is an amount of \$6,432 (2013: \$6,322) due to the commission for December collection services.

These transactions were made in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

21. FINANCIAL INSTRUMENTS

The town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the town is not exposed to significant interest or currency risks arising from these financial instruments.

The town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

TOWN OF FALHER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

22. PRIOR PERIOD ADJUSTMENTS

The TOWN has restated its financial statements to comply with the provisions of Section 3255 and Section 3510 of the Public Sector Accounting Board Handbook, which requires governments to accrue sick pay benefits and recognize local improvement taxes at the date the bylaw is authorized. These adjustments are as follows:

	2013
Adjustments to opening accumulated surplus:	
As previously reported	\$
Increase to Dec 31, 2012 employee benefit obligations	12,519,394
Increase to Dec 31, 2012 trade and other receivables	(6,255)
As restated January 1	12,539,230

	2013
Adjustments to excess (shortfall) of revenues over expenses:	
As previously reported	\$
Decrease to salaries, wages and benefits	359,794
Decrease to local improvement taxes	3,174
As restated	(2,270)
	360,698

	2013
Adjustments to trade and other receivables:	
As previously reported	\$
Increase to local improvement levies	122,295
As restated	23,821
	146,116

	2013
Adjustments to employee benefit obligations:	
As previously reported	\$
Increase to employee benefit obligations	54,254
As restated	3,081
	57,335

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

23. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.