

SYLVAIN & COMPANY

TOWN OF FALHER

Financial Statements

For the Year Ended December 31, 2016



CPA

CHARTERED
PROFESSIONAL
ACCOUNTANTS

TOWN OF FALHER
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016

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SYLVAIN & COMPANY

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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, 2016, 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, 2016 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
March 17, 2016


CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF FALHER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2016

	2016	2015
FINANCIAL ASSETS	\$	\$
Cash and temporary investments (Note 2)	892,231	740,930
Receivables		
Taxes and grants in place of taxes (Note 3)	188,697	167,124
From other governments	240,736	253,883
Trade and other (Note 4 & 20)	338,204	347,226
Land held for resale inventory	230,290	14,989
Investments (Note 5)	2,128,811	2,260,258
Other financial assets (Note 6)	-	-
Debt charge recoverable (Note 7)	55,986	72,576
	4,074,955	3,856,986

LIABILITIES

Accounts payable and accrued liabilities (Note 20)	137,013	138,429
Deposit liabilities	64,300	62,315
Deferred revenue (Note 8)	14,051	117,599
Employee benefit obligations (Note 9)	57,298	58,677
Long-term debt (Note 10)	436,791	378,105
	709,453	755,125

NET FINANCIAL ASSETS (DEBT)

3,365,502 3,101,861

NON-FINANCIAL ASSETS

Tangible capital assets (Note 12)	11,451,774	11,218,135
Inventory for consumption	3,436	5,683
Prepaid expenses	8,668	4,287
	11,463,878	11,228,105

ACCUMULATED SURPLUS (Schedule 1 and Note 14)

14,829,380 14,329,966

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, 2016

	Budget (Unaudited)	2016	2015
	\$	\$	\$
REVENUE			
Net municipal taxes (Schedule 3)	1,157,864	1,157,014	1,139,422
User fees and sales of goods	907,562	932,565	959,367
Government transfers for operating (Schedule 4)	381,876	385,611	367,872
Penalties and costs on taxes	13,000	19,580	19,587
Franchise and concession contracts	130,000	122,037	113,069
Investment income	45,000	56,005	61,403
Licenses, permits and fines	14,725	14,804	12,926
Rentals	154,950	172,804	160,615
Drawn from allowances	-	-	-
Gain on disposal of tangible capital assets	-	-	-
Other revenues	63,375	67,174	73,752
Total Revenue	2,868,352	2,927,594	2,908,013
EXPENSES			
Council and other legislative	59,050	54,549	53,461
General administration	392,447	390,719	369,399
Fire fighting and protective services	79,352	70,849	86,002
By-law enforcement	13,507	13,742	5,453
Common services	180,164	171,100	179,307
Roads, streets, walks, lighting	471,602	378,290	373,062
Airport	21,296	21,296	19,360
Storm sewers and drainage	42,256	43,034	22,122
Water supply and distribution	631,040	629,352	612,249
Wastewater treatment and disposal	131,966	143,512	249,475
Waste management	103,205	102,718	103,031
Family and community support services	233,099	243,536	227,621
Physician recruitment	5,210	7,239	10,484
Cemetery	9,350	4,938	5,345
Land use planning, zoning and development	48,164	47,661	25,448
Economic development and community services	85,285	84,754	71,936
Subdivision land and development	5,500	4,709	6,021
Parks and recreation	675,553	658,639	594,670
Culture: library	26,820	25,882	35,101
Total Expenses	3,214,866	3,096,519	3,049,547
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(346,514)	(168,925)	(141,534)
OTHER			
Contributed assets	-	-	-
Organization transfers for capital	30,000	75,343	195,503
Government transfers for capital (Schedule 4)	635,969	592,996	282,427
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	319,455	499,414	336,396
ACCUMULATED SURPLUS, BEGINNING OF YEAR	14,329,966	14,329,966	13,993,570
ACCUMULATED SURPLUS, END OF YEAR	14,649,421	14,829,380	14,329,966

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, 2016

	Budget (Unaudited)	2016	2015
	\$	\$	\$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	319,455	499,414	336,396
Acquisition of tangible capital assets	(1,235,294)	(713,654)	(846,866)
Contributed tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	-	-	-
Amortization of tangible capital assets	480,389	449,567	441,393
(Gain) loss on sale of tangible capital assets	20,000	30,448	-
	(734,905)	(233,639)	(405,473)
Acquisition of supplies inventories	(53,658)	(41,989)	(39,942)
Acquisition of prepaid assets	(52,503)	(56,695)	(49,936)
Use of supplies inventories	53,658	44,236	39,942
Use of prepaid assets	52,503	52,314	53,832
	-	(2,134)	3,896
INCREASE (DECREASE) IN NET ASSETS	(415,450)	263,641	(65,181)
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	3,101,861	3,101,861	3,167,042
NET FINANCIAL ASSETS (DEBT), END OF YEAR	2,686,411	3,365,502	3,101,861

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2016

	2016	2015
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	499,414	336,396
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	449,567	441,393
Gain (loss) on disposal of tangible capital assets	30,448	-
Tangible capital assets received as contributions	-	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(21,573)	1,637
Decrease (increase) in from other government receivables	13,147	(209,923)
Decrease (increase) in trade and other receivables	9,022	(29,299)
Decrease (increase) in land held for resale	(215,301)	(1,560)
Decrease (increase) in other financial assets	-	8,561
Decrease (increase) in inventory of materials and supplies	2,247	-
Decrease (increase) in prepaid expenses	(4,381)	3,896
Increase (decrease) in accounts payable and accrued liabilities	(1,416)	(49,553)
Increase (decrease) in deposit liabilities	1,985	3,110
Increase (decrease) in deferred revenue	(103,548)	(148,999)
Increase (decrease) in employee benefit obligations	(1,379)	935
Cash provided by operating transactions	658,232	356,594
CAPITAL		
Acquisition of tangible capital assets	(713,654)	(846,866)
Sale of tangible capital assets	-	-
Cash provided by (applied to) capital transactions	(713,654)	(846,866)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	101,626	129,157
Decrease (increase) in investments	131,447	977,066
Cash provided by (applied to) investing transactions	233,073	1,106,223
FINANCING		
Debt charges recoverable	16,590	15,651
Long-term debt issued	100,000	-
Long-term debt repaid	(41,314)	(39,282)
Cash provided by (applied to) financing transactions	75,276	(23,631)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	252,927	592,320
CASH AND CASH EQUIVALENTS (SHORTAGE), BEGINNING OF YEAR	631,654	39,334
CASH AND CASH EQUIVALENTS (SHORTAGE), END OF YEAR	884,581	631,654
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	892,231	740,930
Less: restricted portion of cash and temporary investments (Note 2)	(7,650)	(109,276)
	884,581	631,654

See accompanying schedules and notes to the financial statements.

Schedule 1

**TOWN OF FALHER
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS**

For the Year Ended December 31, 2016

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR (RESTATED)	214,760	3,202,600	10,912,606	14,329,966	13,993,570
Excess (deficiency) of revenues over expenses	499,414	-	-	499,414	336,396
Unrestricted funds designated for future use	(427,460)	427,460	-	-	-
Restricted funds used for operations	32,631	(32,631)	-	-	-
Restricted funds used for tangible capital assets	-	(54,315)	54,315	-	-
Current year funds used for tangible capital assets	(559,339)	-	559,339	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	30,448	-	(30,448)	-	-
Annual amortization expense	449,567	-	(449,567)	-	-
Capital long-term debt repaid	(24,724)	-	24,724	-	-
CHANGE IN ACCUMULATED SURPLUS	537	340,514	158,363	499,414	336,396
BALANCE, END OF YEAR	215,297	3,543,114	11,070,969	14,829,380	14,329,966

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2016

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
COST:								
BALANCE, BEGINNING OF YEAR	331,912	872,806	5,594,041	14,435,465	650,290	214,102	22,098,616	21,251,750
Acquisition of tangible capital assets	-	75,343	-	228,623	-	-	303,966	846,866
Construction-in-progress	-	-	-	409,688	-	-	409,688	-
Disposal of tangible capital assets	-	-	(50,000)	(100,713)	-	-	(150,713)	-
Write down of tangible capital assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	331,912	948,149	5,544,041	14,973,063	650,290	214,102	22,661,557	22,098,616
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	262,224	1,610,715	8,260,860	595,775	150,907	10,880,481	10,439,088
Annual amortization	-	50,197	111,332	263,106	10,845	14,087	449,567	441,393
Accumulated amortization on disposals	-	-	(26,667)	(93,598)	-	-	(120,265)	-
BALANCE, END OF YEAR	-	312,421	1,695,380	8,430,368	606,620	164,994	11,209,783	10,880,481
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	331,912	635,728	3,848,661	6,542,695	43,670	49,108	11,451,774	11,218,135
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	331,912	610,582	3,983,326	6,174,605	54,515	63,195	11,218,135	

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, 2016

	Budget (Unaudited)	2016	2015
	\$	\$	\$
TAXATION			
Real property taxes	1,343,586	1,342,665	1,312,742
Linear property taxes	44,550	44,550	46,782
Government grants in place of property taxes	9,822	9,725	17,912
Special assessments and local improvement taxes	5,121	5,121	5,481
	<u>1,403,079</u>	<u>1,402,061</u>	<u>1,382,917</u>
REQUISITIONS			
Alberta School Foundation Fund	232,013	232,013	230,293
Heart River Seniors Foundation	13,202	13,034	13,202
	<u>245,215</u>	<u>245,047</u>	<u>243,495</u>
NET MUNICIPAL TAXES	<u>1,157,864</u>	<u>1,157,014</u>	<u>1,139,422</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, 2016

	Budget (Unaudited)	2016	2015
	\$	\$	\$
TRANSFERS FOR OPERATING			
Federal Government	30,539	27,511	13,621
Provincial Government - conditional	290,309	302,566	312,044
- unconditional	-	-	-
Local Government	55,534	55,534	42,207
	376,382	385,611	367,872
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	635,969	592,996	282,427
Local Government	-	-	-
	635,969	592,996	282,427
TOTAL GOVERNMENT TRANSFERS	1,012,351	978,607	650,299

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, 2016

	Budget (Unaudited)	2016	2015
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	986,394	959,715	929,476
Contracted and general services	733,084	692,592	698,188
Materials, goods and utilities (Note 20)	834,742	795,073	786,857
Provision for allowance	-	-	-
Transfer to other governments	58,533	58,533	70,149
Transfers to local boards and agencies	42,212	42,212	40,720
Transfers to individuals and organizations	39,627	48,091	60,463
Bank charges and short-term interest	1,100	874	1,142
Interest on long-term debt (Note 10)	18,035	17,895	19,584
Amortization of tangible capital assets	480,389	449,567	441,393
Loss on disposal of tangible capital assets	20,000	30,448	-
Other expenditures	750	1,519	1,575
	3,214,866	3,096,519	3,049,547

See accompanying schedules and notes to the financial statements.

Schedule 6

**TOWN OF FALHER
SCHEDULE OF SEGMENTED DISCLOSURE
For the Year Ended December 31, 2016**

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation Culture	Other	Total 2016
	\$	\$	\$	\$	\$	\$	\$
REVENUE							
Net municipal taxes	1,151,893	-	3,989	1,132	-	-	1,157,014
User fees and sales of goods	16,789	75	12,499	796,093	63,789	43,320	932,565
Government transfers for operating	1,685	-	-	7,000	98,866	278,060	385,611
Penalties and costs on taxes	19,580	-	-	-	-	-	19,580
Franchise and concession contracts	122,037	-	-	-	-	-	122,037
Licenses, permits and fines	8,265	4,424	-	-	-	2,115	14,804
Investment income	56,005	-	-	-	-	-	56,005
Rentals	7,961	18,896	-	-	138,589	7,358	172,804
Drawn from allowances	-	-	-	-	-	-	-
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-
Other revenues	18,774	-	331	5,650	25,234	17,185	67,174
	1,402,989	23,395	16,819	809,875	326,478	348,038	2,927,594
EXPENSES							
Salaries, wages and benefits	311,864	-	213,242	51,592	205,624	177,393	959,715
Contracted and general services	100,781	16,164	96,615	79,038	159,432	137,844	589,874
Purchases from other governments	-	-	-	622,031	-	-	622,031
Materials, goods and utilities	17,029	6,995	100,711	8,065	136,609	6,351	275,760
Provision for allowance	-	-	-	-	-	-	-
Transfers to other governments	-	58,533	-	-	-	-	58,533
Transfers to local boards and agencies	-	-	21,296	-	-	20,916	42,212
Transfers to individuals and organizations	-	-	5,055	-	20,161	22,875	48,091
Bank charges and short-term interest	874	-	-	-	-	-	874
Interest on long-term debt (Note 8)	-	-	370	3,894	13,631	-	17,895
Other expenditures	1,519	-	-	-	-	-	1,519
Loss on disposal of tangible capital assets	-	-	7,115	-	-	23,333	30,448
	432,067	81,692	444,404	764,620	535,457	388,712	2,646,952
Net revenue before amortization and transfers for capital	970,922	(58,297)	(427,585)	45,255	(208,979)	(40,674)	280,642
Amortization	(8,145)	(2,900)	(174,370)	(110,962)	(149,064)	(4,126)	(449,567)
Organization transfers for capital	-	-	-	-	75,343	-	75,343
Contributed assets	-	-	-	-	-	-	-
Government transfers for capital	-	-	576,332	8,332	8,332	-	592,996
NET REVENUE (SHORTFALL)	962,777	(61,197)	(25,623)	(57,375)	(274,368)	(44,800)	499,414

See accompanying schedules and notes to the financial statements.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) Reporting Entity

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

Smoky River F.C.S.S.

Smoky River Regional Committee

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

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

b) Basis of Accounting

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

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

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

c) Use of Estimates

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

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

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.

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.

TOWN OF FALHER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES - CON'T

j) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

k) 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, 2016

2. CASH AND TEMPORARY INVESTMENTS

	2016	2015
	\$	\$
Cash	160	135
Current bank accounts	183,066	186,892
Savings - other	99,291	553,903
Temporary investments - term deposits	609,714	-
	892,231	740,930

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 \$7,650 (2015: \$108,366) received from the provincial, federal, local government and local organizations held exclusively for specific projects. Interest earned of \$0 (2015: \$910) on unspent provincial funds is also restricted as per funding agreements and must be spent on the related specific projects.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2016	2015
	\$	\$
Current taxes and grants in place of taxes	32,102	29,485
Arrears taxes	195,494	176,538
	227,596	206,023
Less: Allowance for doubtful accounts	38,899	38,899
	188,697	167,124

4. TRADE AND OTHER RECEIVABLES

	2016	2015
	\$	\$
Local improvement levies	150,427	161,596
Accrued interest	25,689	31,471
Trade accounts	99,790	94,949
Utility accounts	62,298	59,210
	338,204	347,226

Local improvement levies of \$11,578 are to be received in 2017 with the balance of \$138,849 to be received in the years 2018 to 2029.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

5. INVESTMENTS

	2016		2015	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Long-term deposits (A.T.B.)	1,788,398	1,788,398	1,924,222	1,924,222
Long-term deposits (Vision C.U.)	328,936	328,936	324,883	324,883
ACFA share	10	10	10	10
Equity in A.A.M.D.&C.	-	-	-	-
Equity held in Vision Credit Union	8,353	8,353	8,155	8,155
Equity held in New Horizon Co-op	3,114	3,114	2,988	2,988
	2,128,811	2,128,811	2,260,258	2,260,258

Term deposit (Vision Credit Union) has an effective interest of 1.35% and matures on September 9, 2017.

Term deposits (A.T.B) have effective interest rates ranging from 1.85% to 2.3% and mature on dates between March 17, 2017 to July 4, 2018.

6. OTHER FINANCIAL ASSETS

	2016	2015
	\$	\$
Requisition under-levy - education taxes	-	-

7. DEBT CHARGES RECOVERABLE

	2016	2015
	\$	\$
Current debt charges recoverable	17,586	15,690
Non-current debt charges recoverable	38,400	56,886
	55,986	72,576

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
2017	17,586	3,359	20,945
2018	18,641	2,304	20,945
2019	19,759	1,185	20,944
2020	-	-	-
	55,986	6,848	62,834

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

For the Year Ended December 31, 2016

8. DEFERRED REVENUE

	2016	2015
	\$	\$
Provincial government transfers		
Federal Gas Tax Fund	-	-
Human Services (FCSS)	-	10,447
Municipal Sustainability Initiative	-	-
Basic Municipal Transportation	-	91,017
	-	101,464
Interest earned on deferred government transfers	-	910
Local government transfers	7,500	-
Prepaid property tax revenue	46	1,193
Prepaid licenses and other fees	6,005	6,780
Prepaid rental	350	350
Restricted donations	150	6,902
Requisition over-levy	-	-
	14,051	117,599

Provincial, federal, local, interest and restricted donations funding as per above \$7,650 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 \$7,650 held exclusively for these projects (refer Note 2).

9. EMPLOYEE BENEFIT OBLIGATIONS

	2016	2015
	\$	\$
Sick pay benefits obligations	10,392	10,282
Vacation and overtime	46,906	48,395
	57,298	58,677

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, 2016

10. LONG-TERM DEBT

	2016	2015
	\$	\$
Debentures:		
Supported by general tax levies	390,805	305,529
Supported by special levies	-	-
Supported by debt charges recoverable	55,986	72,576
Supported by utility rates	-	-
	436,791	378,105
Current portion of long-term debt	62,952	41,314

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2017	62,952	17,098	80,050
2018	65,449	14,601	80,050
2019	68,068	11,982	80,050
2020	49,871	9,234	59,105
2021	51,496	7,609	59,105
Thereafter	138,955	14,661	153,616
	436,791	75,185	511,976

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 1.2625% to 6.0% per annum and matures in periods 2019 to 2025. The average annual interest rate is 4.76% for 2016 (4.81% for 2015). Debenture debt is issued on the credit and security of the Town of Falher at large.

Interest on long-term debt amounted to \$17,875 (2015 - \$19,584).

The town's total cash payments for interest in 2016 were \$18,015 (2015 - \$20,066).

TOWN OF FALHER
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

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:

	2016	2015
	\$	\$
Total debt limit	4,504,406	4,655,274
Total debt	380,805	305,529
Amount of debt limit unused	4,123,601	4,349,745
Debt servicing limit	750,734	775,879
Debt servicing	59,105	38,404
Amount of debt servicing above limit	691,629	737,475

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

	2016	2015
Net Book Value		
	\$	\$
Land	331,912	331,912
Land improvements	635,728	610,582
Construction in progress - splash park and bee slide	-	-
Buildings	3,848,661	3,983,326
Engineered Structures		
Roadway system	2,306,293	2,279,992
Construction in progress - road projects	409,688	-
Storm sewer system	835,500	842,349
Water distribution system	1,782,584	1,791,101
Wastewater treatment system	1,208,630	1,261,163
Machinery and equipment	43,670	54,515
Vehicles	49,108	63,195
	11,451,774	11,218,135

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	2016	2015
	\$	\$
Tangible capital assets (Schedule 2)	22,661,557	22,098,616
Accumulated amortization (Schedule 2)	(11,209,783)	(10,880,481)
Long-term debt (Note 10)	(436,791)	(378,105)
Debt charges recoverable (Note 7)	55,986	72,576
	11,070,969	10,912,606

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

For the Year Ended December 31, 2016

14. ACCUMULATED SURPLUS

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

	2016	2015
	\$	\$
Unrestricted surplus (deficit)	215,297	214,760
Restricted surplus		
Council	19,263	20,663
Administration	84,600	78,000
Fire services (operations)	73,500	73,500
Ambulance and first aid	55,689	57,839
Roads, streets and storm sewers	303,217	302,217
Common services	4,000	4,000
By-law enforcement	10,000	12,000
Wastewater operations	105,624	88,887
Waste management	69,365	70,143
Water supply and distribution (operations)	458,443	448,587
F.C.S.S.	73,164	38,692
Cemetery	14,913	12,281
Planning, subdivision and development	103,000	80,000
Community services and physician recruitment	115,855	107,458
Recreation (facilities operations)	416,474	378,266
Library operations	27,650	26,650
Contingency (mill rate stabilization)	490,417	499,274
Administration (capital)	24,131	23,632
Fire services (capital)	86,604	86,604
Common services (equipment replacement)	142,000	97,000
Roads and streets (capital projects)	482,123	319,115
Storm sewers and drainage (capital projects)	-	-
Water distribution (capital)	170,308	193,145
Wastewater (capital)	27,000	-
Waste management (capital)	71,609	71,609
Recreation (capital)		
- park equipment	41,789	39,689
- wading pool	-	973
- swimming pool	10,000	10,000
- recreation programs	55,000	55,000
- campground	7,376	7,376
Library (capital)	-	-
Equity in tangible capital assets	11,070,969	10,912,606
	14,829,380	14,329,966

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

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)	2016 Total	2015 Total
Mayor:				
BUCHINSKI, Donna	13,300	416	13,716	15,905
Councillors:				
BRAITHWAITE, Gary	6,700	177	6,877	5,535
BROWN, Lindsay	5,025	106	5,131	125
FARRELL, Lynn	-	-	-	1,228
LIMOGES, Rene	5,425	130	5,555	5,840
PRIMEAU, Sandra	6,505	179	6,684	7,739
ST. LAURENT, Marie	3,350	69	3,419	4,742
	40,305	1,077	41,382	41,114
Chief Administrative Officer:				
PARKER, Adele	97,380	19,918	117,298	112,846
	137,685	20,995	158,680	153,960

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, 2016

17. GOVERNMENT PARTNERSHIP

A Co-Owners agreement between the Village of Donnelly, Village of Girouxville, Town of Falher, Town of McLennan and the Municipal District of Smoky River #130 was made the 1st day of October, 2015. The land title 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. The primary purpose of this agreement is to provide and maintain a building in McLennan to rent a residential dwelling to doctors and their families. This investment is accounted for by the proportionate consolidation method.

	2016	2015
	\$	\$
Share of assets (17.5%)	57,805	56,139
Share of liabilities (17.5%)	(962)	(962)
	56,843	55,177
Total revenues	24,000	8,000
Total expenditures	(14,482)	(32,703)
	9,518	(24,703)
Share of surplus (deficit) for the year ended Dec. 31 (17.5%)	1,666	(4,323)

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 \$120 plus G.S.T. as per a 2016 office equipment lease. The agreement will expire in November, 2020. Total payments remaining including G.S.T. as of December 31, 2016 equal \$2,013.

The TOWN OF FALHER is committed to make annual payments ranging from \$58,533 to \$50,732 per year under a fire protection services agreement with the Municipal District of Smoky River No. 130. The agreement is in force until December 31, 2020.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

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 \$55,986 (2015: \$72,576) debenture plus interest. During the year, the Town of Falher paid \$519,185 (2015: \$513,573) to the Smoky River Regional Water Management Commission for the purchase of water. A total amount of \$3,820 (2015: \$3,500) was received from the commission for administration services provided by the town. The trade accounts receivable include \$802 (2015: \$210) which is due from the commission. Included in the town's accounts payable is an amount of \$47,286 (2015: \$40,753) due to the commission for the purchase of water consumed in December.

During the year, the Town of Falher paid \$76,890 (2015: \$77,920) to the Smoky River Regional Waste Management Commission for waste collection services and tipping fees. A total amount of \$9,100 (2015: \$8,500) was received from the commission for administration services provided by the town. Other amounts totalling \$10,806 (2015: \$18,365) were received by the Town of Falher from the commission for labor and equipment services. The trade accounts receivable include \$1,316 (2015: \$1,072) which is due from the commission. Included in the town's accounts payable is an amount of \$6,315 (2015: \$6,399) due to the commission for December collection services.

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

21. FINANCIAL INSTRUMENTS

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

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

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

22. CONTAMINATED SITES LIABILITY

On January 1, 2015 the Municipality adopted PS3260 Liability for Contaminated Sites. The municipality did not identify any financial liabilities in 2016 (2015 - nil) as a result of this standard.

TOWN OF FALHER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

23. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.