

TOWN OF EDSON

Financial Statements

For the Year Ended December 31, 2005

Audit Report

Management Report

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Consolidated Statement of Financial Activities and Change in Fund Balances

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MANAGEMENT REPORT

The accompanying consolidated financial statements and other information contained in this Financial Report are the responsibility of the management of the Town of Edson.

These consolidated financial statements have been prepared by management. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The council meets annually with management and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. The Council also considers the engagement or re-appointment of the external auditors. The Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Mergaert, Rathgeber & Barford, Chartered Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of Council, residents and ratepayers of the Town. Mergaert, Rathgeber & Barford has full and free access to the Council.

Joan Parker, CLGM
Director of Finance and Administration
March 9, 2006

Town of Edson
Consolidated Statement of Financial Position
As at December 31, 2005

	2005	2004
	\$	\$
ASSETS		
Financial Assets		
Cash and temporary investments (Note 2)	4,125,679	5,827,555
Receivables		
Taxes and grants in place of taxes (Note 3)	751,449	958,493
Trade and other receivables	2,880,829	1,715,958
Other long term assets	164,989	54,972
Land held for resale	1,277,569	708,360
Other inventory held for resale	11,005	9,226
Investments (Note 4)	2,000,030	30
Prepaid expenses	35,992	31,660
Other financial assets (Note 5)	41,611	42,946
	<u>11,289,153</u>	<u>9,349,200</u>
Physical Assets		
Inventory for consumption	127,444	161,354
Capital assets (Note 6)	75,092,561	67,639,929
	<u>75,220,005</u>	<u>67,801,283</u>
Total Assets	<u>86,509,158</u>	<u>77,150,483</u>
LIABILITIES AND MUNICIPAL EQUITY		
Liabilities		
Accounts payable and accrued liabilities	1,937,158	1,365,639
Deposit liabilities	476,884	413,186
Deferred revenue (Note 7)	1,293,919	1,216,549
Provision for landfill closure and post-closure costs (Note 8)	277,250	204,000
Long term debt (Note 10)	7,075,530	4,312,359
Other liabilities	112,052	289,067
	<u>11,172,793</u>	<u>7,800,800</u>
Municipal Equity		
Fund Balances		
Operating fund (Schedule 1)	1,047,240	1,046,643
Capital fund (Schedule 2)	998,986	6,495
Reserve fund (Schedule 3)	5,273,108	4,968,975
Total Fund Balances	7,319,334	6,022,113
Equity in capital assets (Schedule 4) (Note 15)	68,017,031	63,327,570
	<u>68,017,031</u>	<u>63,327,570</u>
Total Liabilities and Municipal Equity	<u>86,509,158</u>	<u>77,150,483</u>

Contingencies - See Note 18

Town of Edson
Consolidated Statement of Financial Activities and Change in Fund Balances
For the Year Ended December 31, 2005

	Budget	2005	2004
	\$	\$	\$
Revenues			
Net municipal taxes (Schedule 5)	5,324,083	5,325,554	4,954,702
User fees and sale of goods	2,822,853	3,652,769	2,963,344
Government transfers (Schedule 6)	4,363,651	3,711,934	3,090,785
Investment income	161,000	155,873	125,047
Development levies	200,000	1,049,509	270,547
Penalties and costs of taxes	45,000	47,566	49,501
Franchise and concession contracts	240,000	308,978	252,404
Rentals	307,992	345,678	334,852
Proceeds from disposal of capital assets	10,000	28,008	5,022
Other	277,400	1,180,818	839,919
	<u>13,751,979</u>	<u>15,806,687</u>	<u>12,886,123</u>
Expenditures			
Operating			
Legislative	177,525	166,708	158,547
Administration	1,157,122	1,105,714	1,065,013
Protective Services	1,937,752	1,751,903	1,757,340
Roads, street, walks, lighting	1,366,312	1,394,497	1,175,923
Water and Wastewater	941,639	973,970	929,709
Waste Management	515,548	594,148	499,149
Subdivision and land development	122,435	177,359	157,563
Recreation and parks	2,129,080	2,041,236	1,885,588
Other	1,576,577	1,426,235	1,359,109
	<u>9,923,990</u>	<u>9,631,770</u>	<u>8,987,941</u>
Capital			
Administration	100,000	29,148	42,011
Transportation	6,016,651	4,197,115	2,010,239
Airport	-	31,455	1,508,528
Water and Wastewater	1,215,000	2,243,439	1,544,165
Waste Management	480,000	254,331	140,388
Other	598,500	885,379	105,537
	<u>8,410,151</u>	<u>7,640,867</u>	<u>5,350,868</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(4,582,162)	(1,465,950)	(1,452,686)
Capital debt issued	3,165,000	4,134,498	2,000,000
Capital debt repaid	(825,296)	(1,371,327)	(552,024)
CHANGE IN FUND BALANCES	(2,242,458)	1,297,221	(4,710)
FUND BALANCES AT BEGINNING OF YEAR	<u>6,022,113</u>	<u>6,022,113</u>	<u>6,026,823</u>
FUND BALANCES AT END OF YEAR	<u><u>3,779,655</u></u>	<u><u>7,319,334</u></u>	<u><u>6,022,113</u></u>

Town of Edson
Consolidated Statement of Changes in Financial Position
For the Year Ended December 31, 2005

	2005	2004
	\$	Restated \$
CASH PROVIDED BY (USED IN):		
Operating Activities		
Excess (deficiency) of revenues over expenditures	(1,465,950)	(1,452,686)
Net change in non-cash operating working capital balances:		
Decrease (increase) in taxes and grants in place receivable	207,044	(393,090)
Decrease (increase) in trades and other receivables	(1,164,871)	901,429
Decrease (increase) in land held for sale	(569,209)	60,039
Decrease (increase) in inventory for consumption	33,910	(46,631)
Decrease (increase) in prepaid expenses	(4,332)	(2,027)
Increase (decrease) in accounts payable and accrued liabilities	591,809	(689,237)
Increase (decrease) in deposit liabilities	63,698	67,928
Increase (decrease) in deferred revenue	77,370	383,683
Increase (decrease) in employee benefit obligations	(20,290)	-
Increase (decrease) in other working capital	(177,015)	(32,743)
Increase (decrease) in provision for landfill closure and post-closure costs	73,250	-
Decrease (increase) in other financial assets	(110,461)	5,493
Net cash from operations	<u>(999,097)</u>	<u>254,844</u>
Investing Activities		
Decrease (increase) in restricted cash & temporary investments	(1,295,350)	(1,274,356)
Decrease (increase) in investments	(2,000,000)	-
	<u>(3,295,350)</u>	<u>(1,274,356)</u>
Financing Activities		
Long-term debt issued	4,134,498	2,000,000
Long-term debt repaid	(1,371,327)	(552,024)
	<u>2,763,171</u>	<u>1,447,976</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(2,997,226)	(1,024,222)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,553,199</u>	<u>5,577,421</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>1,555,973</u></u>	<u><u>4,553,199</u></u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	4,125,679	5,827,555
Less: restricted portion of cash and temporary investments (Note 2)	(2,569,706)	(1,274,356)
	<u><u>1,555,973</u></u>	<u><u>4,553,199</u></u>

Town of Edson
Schedule of Operating Fund Financial Activities and Change in Fund Balance
For the Year Ended December 31, 2005
Schedule 1

	Budget	2005	2004
	\$	\$	\$
REVENUE			
Net municipal property taxes (Schedule 5)	5,324,083	5,325,554	4,954,702
User fees and sales of goods	2,822,853	3,652,769	2,963,344
Government transfers	1,511,500	1,337,046	1,126,954
Investment income	160,000	146,750	123,967
Penalties and costs of taxes	45,000	47,566	49,501
Franchise and concession contracts	240,000	308,978	252,404
Rentals	307,992	345,678	334,852
Other	277,400	1,180,818	839,919
Total Revenue	10,688,828	12,345,159	10,645,643
EXPENDITURE			
Legislative	177,525	166,708	158,547
Administration	1,157,122	1,105,714	1,065,013
Protective Services	1,937,752	1,751,903	1,757,340
Common Services	763,326	666,666	629,447
Roads, streets, walks, lighting	1,366,312	1,394,497	1,175,923
Water	628,488	689,930	614,280
Wastewater	313,151	284,040	315,429
Waste Management	515,548	594,148	499,149
FCSS	224,968	225,555	223,539
Subdivision and land development	122,435	177,359	157,563
Recreation and parks	2,129,080	2,041,236	1,885,588
Culture	160,508	159,126	168,421
Other	427,775	374,888	337,702
Total Expenditure	9,923,990	9,631,770	8,987,941
EXCESS (DEFICIENCY) OF REVENUE OVER			
EXPENDITURES	764,838	2,713,389	1,657,702
NET INTER-FUND TRANSFERS			
Transfers to capital fund (Schedule 2)	(1,279,500)	(1,284,032)	(472,824)
Transfers from (to) reserve fund (Schedule 3)	1,339,958	(57,433)	(632,729)
Capital debt repaid (Schedule 4)	(825,296)	(1,371,327)	(552,024)
CHANGE IN OPERATING FUND BALANCE	-	597	125
FUND BALANCE AT BEGINNING OF YEAR	1,046,643	1,046,643	1,046,518
FUND BALANCE AT END OF YEAR (Note 12)	1,046,643	1,047,240	1,046,643

Town of Edson
Schedule of Capital Fund Financial Activities and Change in Fund Balance
For the Year Ended December 31, 2005
Schedule 2

	Budget \$	2005 \$	2004 \$
REVENUE			
Government transfers	2,852,151	2,374,888	1,963,831
Investment income	1,000	9,123	1,080
Development levies	200,000	1,049,509	270,547
Proceeds from disposal of capital assets	10,000	28,008	5,022
Total Revenue	<u>3,063,151</u>	<u>3,461,528</u>	<u>2,240,480</u>
EXPENDITURES			
Administration	100,000	29,148	42,011
Transportation	6,016,651	4,197,115	2,010,239
Airport	-	31,455	1,508,528
Water and Wastewater	1,215,000	2,243,439	1,544,165
Waste Management	480,000	254,331	140,388
Other	598,500	885,379	105,537
Total Expenditures	<u>8,410,151</u>	<u>7,640,867</u>	<u>5,350,868</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(5,347,000)	(4,179,339)	(3,110,388)
CAPITAL FINANCING AND NET INTER-FUND TRANSFERS			
Transfers from operating fund (Schedule 1)	1,279,500	1,284,032	472,824
Transfers from (to) reserve fund (Schedule 3)	896,005	(246,700)	419,880
Capital debt issued (Schedule 4)	3,165,000	4,134,498	2,000,000
	5,340,505	5,171,830	2,892,704
CHANGE IN CAPITAL FUND BALANCE	(6,495)	992,491	(217,684)
FUND BALANCE AT BEGINNING OF YEAR	<u>6,495</u>	<u>6,495</u>	<u>224,179</u>
FUND BALANCE AT END OF YEAR (Note 13)	<u>-</u>	<u>998,986</u>	<u>6,495</u>

Town of Edson
Schedule of Reserve Fund Financial Activities and Change in Fund Balance
For the Year Ended December 31, 2005
Schedule 3

	Budget	2005	2004
	<u>\$</u>	<u>\$</u>	<u>\$</u>
NET INTER-FUND TRANSFERS			
Transfer from operating fund	308,447	1,660,896	688,781
Transfer to operating fund	<u>(1,648,405)</u>	<u>(1,603,463)</u>	<u>(56,052)</u>
Net transfer (to) from operating fund	<u>(1,339,958)</u>	<u>57,433</u>	<u>632,729</u>
Transfer from capital fund	1,280,500	1,753,957	542,810
Transfer to capital fund	<u>(2,176,505)</u>	<u>(1,507,257)</u>	<u>(962,690)</u>
Net transfer (to) from capital fund	<u>(896,005)</u>	<u>246,700</u>	<u>(419,880)</u>
CHANGE IN RESERVE FUND BALANCE	(2,235,963)	304,133	212,849
FUND BALANCE AT BEGINNING OF YEAR	<u>4,968,975</u>	<u>4,968,975</u>	<u>4,756,126</u>
FUND BALANCE AT END OF YEAR (Note 14)	<u>\$ 2,733,012</u>	<u>\$ 5,273,108</u>	<u>\$ 4,968,975</u>

Town of Edson
Schedule of Equity in Capital Assets
For the Year Ended December 31, 2005
Schedule 4

	Budget	2005	2004
	\$	\$	\$
ACQUISITION OF CAPITAL ASSETS			
Administration	100,000	29,148	42,011
Fire Department	320,000	-	-
Common Services	266,500	195,899	105,537
Roads, streets, walks, lighting	6,016,651	4,197,115	1,762,652
Airport	-	31,455	1,508,528
Storm Sewers & Drainage	-	680,304	-
Water supply and distribution	1,115,000	1,591,235	1,287,579
Wastewater	100,000	652,204	256,586
Waste Management	480,000	254,331	140,388
Cemetery	12,000	9,176	-
	<u>8,410,151</u>	<u>7,640,867</u>	<u>5,103,281</u>
DISPOSAL OF CAPITAL ASSETS (COST)			
Common Services	(10,000)	(93,442)	(25,410)
Roads, streets, walks, lighting	-	(94,793)	(1,358,341)
	<u>(10,000)</u>	<u>(188,235)</u>	<u>(1,383,751)</u>
CAPITAL FINANCING			
Capital debt issued (Schedule 2)	(3,165,000)	(4,134,498)	(2,000,000)
Capital debt repaid from operating fund (Schedule 1)	825,296	1,371,327	552,024
Capital debt repaid from other sources	-	-	-
DEBT CHARGES RECOVERABLE			
Debt charges applied	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN EQUITY BALANCE	6,060,447	4,689,461	2,271,554
EQUITY BALANCE AT BEGINNING OF YEAR	<u>63,327,570</u>	<u>63,327,570</u>	<u>61,056,016</u>
EQUITY OF BALANCE AT END OF YEAR (Note 15)	<u>69,388,017</u>	<u>68,017,031</u>	<u>63,327,570</u>

Town of Edson
Schedule of Property and Other Taxes
For the Year Ended December 31, 2005
Schedule 5

	Budget	2005	2004
	\$	\$	\$
TAXATION			
Real property taxes	6,930,060	6,930,106	6,415,812
Linear property taxes	505,702	506,765	490,387
Government grants in lieu of property taxes	193,394	193,393	187,017
Special assessment and local improvement tax	224,591	224,953	354,373
	<u>7,853,747</u>	<u>7,855,217</u>	<u>7,447,589</u>
REQUISITIONS			
Alberta School Foundation Fund	2,095,598	2,095,597	2,066,878
Living Waters Separate School District	287,814	287,814	287,838
Evergreens Seniors Foundation	146,252	146,252	138,171
	<u>2,529,664</u>	<u>2,529,663</u>	<u>2,492,887</u>
NET MUNICIPAL TAXES	<u><u>5,324,083</u></u>	<u><u>5,325,554</u></u>	<u><u>4,954,702</u></u>

Town of Edson
Schedule of Government Transfers
For the Year Ended December 31, 2005
Schedule 6

	Budget	2005	2004
	\$	\$	\$
FEDERAL TRANSFERS			
Shared-cost agreements and grants	<u>150,500</u>	<u>144,528</u>	<u>20,535</u>
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	3,492,874	2,891,710	2,393,137
Debt interest rebates	<u>2,839</u>	<u>2,839</u>	<u>5,355</u>
	<u>3,495,713</u>	<u>2,894,549</u>	<u>2,398,492</u>
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements and grants	<u>717,438</u>	<u>672,857</u>	<u>671,758</u>
	<u>4,363,651</u>	<u>3,711,934</u>	<u>3,090,785</u>

Town of Edson
Schedule of Consolidated Expenditures by Object
For the Year Ended December 31, 2005
Schedule 7

	Budget	2005	2004
	\$	\$	\$
CONSOLIDATED EXPENDITURES BY OBJECT			
Salaries, wages, benefits	3,711,854	3,623,340	3,488,813
Contracted and general services	2,441,910	2,292,884	2,207,653
Materials, goods and utilities	1,738,351	1,792,627	1,543,098
Transfers to local boards and agencies	115,000	115,000	115,000
Bank charges and short term interest	2,500	2,333	2,174
Interest on long term debt	193,666	226,400	183,586
Capital assets acquired	8,410,151	7,640,867	5,350,868
Purchases from other governments	1,060,136	905,867	842,879
Grants to Organizations	563,418	563,586	487,103
Other expenditures	97,155	109,733	117,635
	<u>18,334,141</u>	<u>17,272,637</u>	<u>14,338,809</u>

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2005

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Edson are the representations of management prepared in accordance with generally accepted accounting principles for local government established by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town of Edson are as follows:

a) *Reporting Entity*

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, and changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all 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.

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*

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

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 municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

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.

d) *Fund Accounting*

Management funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Proceeds from subdivision development land sales are recorded as operating fund revenues.

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2005

e) *Investments*

Investments are recorded at 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.

f) *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 unmatured long term debt, less actuarial requirements for the retirement of any sinking fund debentures.

g) *Inventories*

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the average cost method.

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 their respective function.

h) *Capital Assets*

Capital assets are reported as expenditures in the period they are acquired. Further, capital assets are reported at cost except for donated assets, which are reported at estimated fair value when acquired.

Government contributions for the acquisition of capital assets are recorded as capital revenue and do not reduce the related capital asset costs.

Capital assets for government purposes are not depreciated.

i) *Allowances for Operating and Capital Assets*

Allowances for asset valuations are netted against the related asset and are segregated between operating and capital purposes. Increases in allowances are recorded as an expenditure while decreases in allowances are recorded as a revenue in the respective operating and capital fund.

j) *Prepaid Local Improvement Charges*

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 municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings. In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2005

k) *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 property tax revenue.

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

l) *Landfill Closure and Post-Closure Liability*

The Alberta Environmental Protection and Enhancement Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is being provided for over the estimated remaining life of the landfill site based on usage.

Closure will involve covering the site with topsoil and vegetation. The groundwater monitoring wells have already been installed. Post-closure care activities are expected to occur for several years and will involve surface and ground water monitoring, and landfill cover maintenance.

m) *Operating Fund*

Operating fund represents the amount available to offset future operational revenue requirement (or the shortfall which will be financed from future operational revenues).

n) *Capital Fund*

Capital fund represents the amounts available to finance (or the shortfall in financing available for) capital projects.

o) *Reserve Fund*

Reserve fund represents the amounts set aside to finance future operating and capital expenditures. Reserves are established at the discretion of Council. Transfers to and/or from the reserve fund are reflected as an adjustment to the respective fund.

p) *Equity in Capital Assets*

Equity in capital assets represents the Town of Edson's net investment in its capital assets, after deducting work in progress, the portion financed by third parties through debenture, bond and mortgage debts, long term capital borrowing, capitalized leases and other capital liabilities which will be paid by the municipality.

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2005

2 CASH AND TEMPORARY INVESTMENTS

	2005	2004
	\$	\$
Cash	77,510	1,317,396
Temporary Investments	4,048,169	4,510,159
	4,125,679	5,827,555

Temporary Investments are short-term deposits with original maturities of three months or less. Included in the above balances are \$2,569,706 (2004 - \$1,274,356) of funds which are restricted in use, of which \$1,095,827 are unspent debenture revenue that will fund specific capital projects in 2006. The temporary investments have a fair market value of \$4,048,169 (2004 - \$4,510,159). Temporary investments have effective interest rates of 2.67% to 3.15% (2004 - 2.17% to 2.55%) and mature January 10, 2006.

3 TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2005	2004
	\$	\$
Current taxes and grants in lieu	170,685	125,058
Tax arrears and grants in lieu	790,413	2,170,491
	961,098	2,295,549
Less: allowance for doubtful accounts	(209,649)	(1,337,056)
	751,449	958,493

The Town of Edson holds a quantity of Final Acquisition land (commercially zoned lands acquired by the Town of Edson for non payment of property taxes). The difference between taxes receivable on final acquisition land (\$750,308) and the allowance established for uncollectable taxes (\$209,649) is \$540,659. Future sales proceeds on these lands are anticipated to be sufficient to cover this difference .

4 INVESTMENTS

	2005		2004	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
A.M.H.C. Shares	30	30	30	30
Short Term Notes	2,000,000	2,000,000	-	-
	2,000,030	2,000,030	30	30

Short term notes and deposits have an effective interest rate of 3.01% (2004 - 2.17% to 2.55%) and mature in less than one year.

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2005

5 OTHER FINANCIAL ASSETS

	2005	2004
	\$	\$
Accrued Interest on Investments	40,157	32,683
School Requisition Underlevy	1,454	10,263
	<u>41,611</u>	<u>42,946</u>

6 CAPITAL ASSETS

	2005	2004
	\$	\$
Engineered Structures	59,786,716	52,788,927
Buildings	9,614,914	9,605,738
Machinery and Equipment	2,964,030	2,794,949
Land	1,046,488	760,425
Vehicles	1,680,413	1,689,890
	<u>75,092,561</u>	<u>67,639,929</u>

7 DEFERRED REVENUE

	2005	2004
	\$	\$
Prepaid local improvement charges	48,874	12,432
Unearned revenue	3,408	1,069
Conditional government grants	1,241,637	1,203,048
	<u>1,293,919</u>	<u>1,216,549</u>

Prepaid local improvement charges

Prepaid local improvement charges are being amortized to revenue at various rates over the next eighteen years.

Conditional government grants

Funding in the amount of \$1,515,562 was received for the current year from various government sources. The use of these funds is restricted to eligible capital projects, as approved under the funding agreements, which are scheduled for completion in 2006. Unexpended funds related to the advance are supported by temporary investments held exclusively for these projects (Note 2)

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2005

8 LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Alberta environmental law requires closure and post-closure of landfill sites, which includes final covering and landscaping and ongoing environmental monitoring, site inspections and maintenance. In 2005 the Town applied to Alberta Environment for a license to expand the existing dry waste facility. As a result there has been a significant increase in remaining capacity.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the existing site is estimated at 650,000 tonnes. The estimated remaining capacity of the landfill site is 487,500 tonnes (2004 - 12,500 tonnes). The existing landfill site is expected to reach capacity in the year 2045.

The town has not designated assets for settling closure and post-closure liabilities.

	<u>2005</u>	<u>2004</u>
	<u>\$</u>	<u>\$</u>
Dry Waste		
Estimated closure costs	<u>717,000</u>	105,000
Estimated total liability	<u>717,000</u>	<u>105,000</u>
Estimated capacity remaining	<u>75.00%</u>	5.00%
Portion of total liability remaining to be recognized	<u>537,750</u>	<u>5,250</u>
Estimated capacity used	<u>25.00%</u>	95.00%
Accrued liability portion	<u>179,250</u>	<u>99,750</u>
Wet Waste		
Estimated closure costs	<u>98,000</u>	98,000
Estimated total liability	<u>98,000</u>	<u>98,000</u>
Total closure costs	<u>277,250</u>	197,750
Contingency	<u>-</u>	6,250
Total accrued liability	<u>277,250</u>	<u>204,000</u>

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2005

9 EMPLOYEE BENEFIT OBLIGATIONS

	2005	2004
	\$	\$
Vacation and overtime	225,938	246,228

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.

10 LONG TERM DEBT

	2005	2004
	\$	\$
Tax supported debentures	3,445,374	1,960,398
Special levy supported debentures	2,919,141	1,324,372
Utility rate supported debentures	711,015	1,027,589
	7,075,530	4,312,359

The current portion of the long-term debt amounts to \$974,190 (2004 - \$822,297).

Principal and interest repayments are due as follows:

	Principal	Interest	Total
	\$	\$	\$
2006	974,190	290,840	1,265,030
2007	983,660	252,286	1,235,946
2008	1,020,958	214,989	1,235,947
2009	1,059,699	176,248	1,235,947
2010	652,046	140,282	792,328
Thereafter	2,384,977	979,427	3,364,404
	7,075,530	2,054,072	9,129,602

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 3.405% to 10% per annum, before Provincial subsidy, and mature in periods 2006 through 2025. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9% and 11% to a maximum annual rate of 12% depending on the date borrowed. Debenture debt is issued on the credit and security of the Town of Edson at large.

Interest on long-term debt amounted to \$226,400 (2004 - \$183,586)

The town's total cash payments for interest in 2005 were \$210,272 (2004 - \$167,463)

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2005

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 Edson be disclosed as follows:

	<u>2005</u>	<u>2004</u>
	\$	\$
Total debt limit	<u>20,147,698</u>	16,680,591
Less total debt	<u>7,075,530</u>	4,312,359
 Total debt limit remaining	 <u><u>13,072,168</u></u>	 <u><u>12,368,232</u></u>
 Service on debt limit	 <u>3,357,950</u>	 2,780,099
Less service on debt	<u>1,265,030</u>	1,032,569
 Amount of debt servicing limit unused	 <u><u>2,092,920</u></u>	 <u><u>1,747,530</u></u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulations 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 which 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 OPERATING FUND

	<u>2005</u>	<u>2004</u>
	\$	\$
Unallocated	<u>1,047,240</u>	1,046,643
	<u><u>1,047,240</u></u>	<u><u>1,046,643</u></u>

13 CAPITAL FUND

	<u>2005</u>	<u>2004</u>
	\$	\$
Financing available:		
40th Street Infrastructure	-	6,495
Imperial Road Rebuild	<u>289,314</u>	-
Lane Paving	<u>75,021</u>	-
Motco Road & Related work	<u>731,492</u>	-
	<u>1,095,827</u>	6,495
Amounts to be financed:		
Block 131 Infrastructure	<u>96,841</u>	-
	<u><u>998,986</u></u>	<u><u>6,495</u></u>

The excess funds will be spent on these projects in 2006. Funding for Block 131 infrastructure will come from Local Improvement revenues.

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2005

14 RESERVE FUND

	<u>2005</u>	<u>2004</u>
	\$	\$
Operating reserves:		
Computer & Equipment	14,200	50,700
Administration	37,145	37,145
TM Special Projects	-	10,000
Centennial Celebration	18,420	40,000
Alarie Reserve	38,000	38,000
Copier #2	31,706	28,706
Fire Fighting	27,000	27,000
Public Transportation Assistance	-	12,516
Building Maintenance	292,328	700,843
Energy Conservation	247,170	346,291
Equipment Maintenance	21,000	21,000
Roads, street, walks, lighting	41,060	156,656
Snow Removal	198,000	198,000
Airport	10,000	10,000
Water	-	82,901
Wastewater	-	14,652
Waste Management	-	51,286
F.C.S.S.	9,306	9,307
Planning / E.D.C.	90,000	23,050
Resale Land Purchase	1,079,140	636,689
Recreation Programs	-	23,153
Recreation Projects	42,700	112,828
Recreation Building Maintenance	344,095	193,114
Library	-	15,000
Unconditional Contingency Reserve	576,832	221,832
	<u>3,118,102</u>	<u>3,060,669</u>
Capital reserves:		
Computer & Equipment Replace	54,971	39,296
Office Equipment	44,713	32,071
Fire Equipment	318,486	288,486
63rd Street Upgrades	152,000	-
Johnson Estates General Area	30,039	-
Engineering Projects	-	12,642
Infrastructure	587,934	90,922
Airport	40,000	40,000
Water Projects	-	19,240
Landfill	29,935	32,968
Cemetery	59,695	56,831
2000 Sponsorship Projects	-	7,330
Future Land Purchases	58,796	307,094
Public Reserve Trust	179,960	64,813
Recreation Redevelopment	60,977	60,977
Swimming Pool	38,350	25,228
Millenium Park	-	13,122
Rec Complex	-	96,926
Unconditional Reserves	499,150	720,360
	<u>2,155,006</u>	<u>1,908,306</u>
	<u>5,273,108</u>	<u>4,968,975</u>

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2005

15 EQUITY IN CAPITAL ASSETS

	<u>2005</u>	<u>2004</u>
	\$	\$
Capital Assets (Note 6)	75,092,561	67,639,929
Long-term debt (Note 10)	(7,075,530)	(4,312,359)
	<u>68,017,031</u>	<u>63,327,570</u>

16 SALARY & BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by provincial regulation is as follows:

	<u>Salary (1)</u>	<u>Benefits & Allowances(2)</u>	<u>2005 Total</u>
	\$	\$	\$
Mayor Greg Pasychny	21,116	3,925	25,041
Councillor B. Boyce	12,651	978	13,629
Councillor L. Connolly	19,252	1,623	20,875
Councillor J. Gomuwka	9,962	1,789	11,751
Councillor C. Klemm	14,682	2,478	17,160
Councillor M. Olsen	16,939	2,187	19,126
Councillor N. Perrin	9,494	412	9,906
Town Manager	112,615	25,679	138,294
Assessor (contracted)	57,780	-	57,780

- (1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (2) Benefits & Allowances figure includes 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, long and short term disability plans, professional memberships and tuition.
- (3) Benefits and allowances figures also include the Employer's share of the costs of additional taxable benefits including special leave with pay, travel allowances and car allowances.

TOWN OF EDSON
Notes to the Financial Statements
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17 LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Edson participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. The Plan covers 105,376 active members, 15,450 deferred members, 32,210 retirees and 404 employers. It is financed by employer and employee contributions and investment earning of the LAPP Fund.

The Town of Edson is required to make current service contributions to the Plan of 7.4% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan, and 10.14% of pensionable earnings above this amount.

Total current service contributions by the Town of Edson to the Local Authorities Pension Plan in 2005 were \$137,006 (2004 - \$132,581). Total current and past service contributions by the employees of the Town of Edson to the Local Authorities Pension Plan in 2005 were \$119,396 (2004 - \$113,131).

As at December 31, 2004, the Plan disclosed an actuarial deficiency of \$1,289.00 million.

18 CONTINGENCIES

The Town of Edson is a member of the Alberta Local Authorities Reciprocal Insurance Exchange and MUNIX. Under the terms of membership, the Town of Edson could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. A reserve in the amount of \$38,000 has been established to cover future insurance losses. Any further liability incurred would be accounted for as a current transaction in the year the losses are determined.

The Town of Edson is a partner in the Hinton Regional Landfill. The Town of Edson will become liable for its proportionate share of any future unfunded landfill reclamation costs.

19 FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, receivables, accounts payable, accrued liabilities and long-term debt. It is management's opinion that the Town is not exposed to significant interest, currency or credit risk arising from these financial statements. Unless otherwise noted, the fair value of these financial instruments approximate their carrying values.

20 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.
