

TOWN OF EDSON

Financial Statements

For the Year Ended December 31, 2008

Audit Report

Management Report

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Mergaert, Rathgeber, Barford & Williams

Chartered Accountants

AUDITORS' REPORT

The Mayor and Council of the Town of Edson

We have audited the consolidated statement of financial position of the Town of Edson as at December 31, 2008, and the consolidated statement of financial activities with change in fund balances, the consolidated statement of changes in financial position and the schedules supporting these statements for the year then ended. These financial statements are the responsibility of the municipal administration. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by administration, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Town of Edson as at December 31, 2008, and the results of its financial activities and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

*Mergaert, Rathgeber
Barford & Williams*
Chartered Accountants

Edson, Alberta
March 9, 2009

MANAGEMENT REPORT

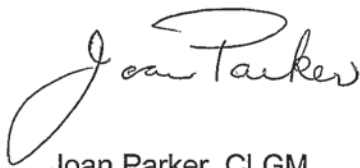
The accompanying consolidated financial statements and other information contained in this Financial Report are the responsibility of the management of the Town of Edson.

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 & Williams, 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 & Williams has full and free access to the Council.



Joan Parker, CLGM
Director of Finance and Administration
March 9, 2009

Town of Edson
Consolidated Statement of Financial Position
As at December 31, 2008

	2008	2007
	\$	\$
ASSETS		
Financial Assets		
Cash and temporary investments (Note 2)	9,840,488	12,583,084
Receivables		
Taxes and grants in place of taxes (Note 3)	564,748	592,838
Trade and other receivables	3,409,480	2,900,245
Other long term assets	57,475	91,063
Land held for resale	1,446,604	1,258,859
Other inventory held for resale	10,921	8,521
Investments (Note 4)	30	30
Prepaid expenses	11,980	8,335
Other financial assets (Note 5)	50,140	52,363
	<u>15,391,866</u>	<u>17,495,338</u>
Physical Assets		
Inventory for consumption	351,217	264,171
Capital assets (Note 6)	98,941,466	86,525,430
	<u>99,292,683</u>	<u>86,789,601</u>
Total Assets	<u><u>114,684,549</u></u>	<u><u>104,284,939</u></u>
LIABILITIES AND MUNICIPAL EQUITY		
Liabilities		
Accounts payable and accrued liabilities	2,761,014	2,107,921
Deposit liabilities	1,268,421	1,294,862
Deferred revenue (Note 7)	2,567,201	3,783,068
Provision for landfill closure and post-closure costs (Note 8)	495,293	452,183
Long term debt (Note 10)	8,907,120	9,333,429
Other liabilities	149,599	-
	<u>16,148,648</u>	<u>16,971,463</u>
Municipal Equity		
Fund Balances		
Operating fund (Schedule 1)	1,050,511	1,050,188
Capital fund (Schedule 2)	(717,821)	843,106
Reserve fund (Schedule 3)	8,168,865	8,228,181
Total Fund Balances	8,501,555	10,121,475
Equity in capital assets (Schedule 4) (Note 15)	90,034,346	77,192,001
	<u>90,034,346</u>	<u>77,192,001</u>
Total Liabilities and Municipal Equity	<u><u>114,684,549</u></u>	<u><u>104,284,939</u></u>

Contingencies - See Note 18

Town of Edson
Consolidated Statement of Financial Activities and Change in Fund Balances
For the Year Ended December 31, 2008

	Budget	2008	2007
	\$	\$	\$
Revenues			
Net municipal taxes (Schedule 5)	7,892,582	7,898,818	6,891,142
User fees and sale of goods	3,827,488	3,931,429	4,463,136
Government transfers (Schedule 6)	16,089,803	10,675,407	4,813,061
Investment income	185,000	333,760	358,613
Development levies	75,000	45,000	162,205
Penalties and costs of taxes	65,000	94,014	76,739
Franchise and concession contracts	475,000	503,673	440,600
Rentals	348,826	386,897	368,081
Proceeds from disposal of capital assets	24,600	26,310	10,282
Other	1,352,880	1,367,873	2,217,674
	<u>30,336,179</u>	<u>25,263,181</u>	<u>19,801,533</u>
Expenditures			
Operating			
Legislative	222,325	202,626	167,645
Administration	1,359,310	1,329,758	1,169,359
Protective Services	3,222,610	3,257,666	3,344,278
Roads, street, walks, lighting	1,571,557	1,516,053	1,480,651
Water and Wastewater	1,423,834	1,331,423	1,209,559
Waste Management	936,506	824,479	791,268
Subdivision and land development	267,417	232,483	286,021
Recreation and parks	2,943,198	2,694,006	2,448,705
Other	2,433,126	2,348,140	1,914,906
	<u>14,379,883</u>	<u>13,736,634</u>	<u>12,812,392</u>
Capital			
Administration	764,000	128,141	49,339
Transportation	4,938,621	3,652,985	3,171,905
Airport	78,619	80,115	90,076
Water and Wastewater	9,904,671	5,666,676	2,550,156
Waste Management	766,947	380,373	66,987
Other	3,126,032	2,811,868	735,446
	<u>19,578,890</u>	<u>12,720,158</u>	<u>6,663,909</u>
Total Expenditures	<u>19,578,890</u>	<u>12,720,158</u>	<u>6,663,909</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(3,622,594)	(1,193,611)	325,232
Capital debt issued	1,274,000	860,514	3,589,666
Capital debt repaid	(1,286,822)	(1,286,823)	(1,009,202)
CHANGE IN FUND BALANCES	(3,635,416)	(1,619,920)	2,905,696
FUND BALANCES AT BEGINNING OF YEAR	<u>10,121,475</u>	<u>10,121,475</u>	<u>7,215,779</u>
FUND BALANCES AT END OF YEAR	<u><u>6,486,059</u></u>	<u><u>8,501,555</u></u>	<u><u>10,121,475</u></u>

Town of Edson
Consolidated Statement of Changes in Financial Position
For the Year Ended December 31, 2008

	2008 \$	2007 \$
CASH PROVIDED BY (USED IN):		
Operating Activities		
Excess (deficiency) of revenues over expenditures	(1,193,611)	325,232
Net change in non-cash operating working capital balances:		
Decrease (increase) in taxes and grants in place receivable	28,090	253,764
Decrease (increase) in trades and other receivables	(509,235)	(402,137)
Decrease (increase) in land held for sale	(187,745)	100,573
Decrease (increase) in inventory for consumption	(87,046)	(109,053)
Decrease (increase) in prepaid expenses	(3,645)	9,755
Increase (decrease) in accounts payable and accrued liabilities	627,669	(375,035)
Increase (decrease) in deposit liabilities	(26,441)	363,198
Increase (decrease) in deferred revenue	(1,215,867)	1,665,326
Increase (decrease) in employee benefit obligations	25,424	(44,611)
Increase (decrease) in other working capital	149,599	(131,523)
Increase (decrease) in provision for landfill closure and post-closure costs	43,110	93,671
Decrease (increase) in other financial assets	33,411	66,043
Net cash from operations	<u>(1,122,676)</u>	<u>1,489,971</u>
Investing Activities		
Decrease (increase) in restricted cash & temporary investments	2,571,352	(2,796,722)
Decrease (increase) in investments	-	5,584,370
	<u>2,571,352</u>	<u>2,787,648</u>
Financing Activities		
Long-term debt issued	860,514	3,589,666
Long-term debt repaid	(1,286,823)	(1,009,202)
	<u>(426,309)</u>	<u>2,580,464</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(171,244)	7,183,315
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,241,253</u>	<u>57,938</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>7,070,009</u></u>	<u><u>7,241,253</u></u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	9,840,488	12,583,084
Less: restricted portion of cash and temporary investments (Note 2)	(2,770,479)	(5,341,831)
	<u><u>7,070,009</u></u>	<u><u>7,241,253</u></u>

Town of Edson
Schedule of Operating Fund Financial Activities and Change in Fund Balance
For the Year Ended December 31, 2008
Schedule 1

	Budget	2008	2007
	\$	\$	\$
REVENUE			
Net municipal property taxes (Schedule 5)	7,892,582	7,898,818	6,891,142
User fees and sales of goods	3,827,488	3,931,429	4,463,136
Government transfers	2,582,709	2,689,650	2,357,408
Investment income	180,000	328,203	351,474
Penalties and costs of taxes	65,000	94,014	76,739
Franchise and concession contracts	475,000	503,673	440,600
Rentals	348,826	386,897	368,081
Other	819,750	1,143,578	2,217,674
Total Revenue	16,191,355	16,976,262	17,166,254
EXPENDITURE			
Legislative	222,325	202,626	167,645
Administration	1,359,310	1,329,758	1,169,359
Protective Services	3,222,610	3,257,666	3,344,278
Common Services	1,025,966	930,243	856,344
Roads, streets, walks, lighting	1,571,557	1,516,053	1,480,651
Water	991,808	983,897	905,393
Wastewater	432,026	347,526	304,166
Waste Management	936,506	824,479	791,268
FCSS	368,125	378,427	312,209
Subdivision and land development	267,417	232,483	286,021
Recreation and parks	2,943,198	2,694,006	2,448,705
Culture	216,133	269,536	215,820
Other	822,902	769,934	530,533
Total Expenditure	14,379,883	13,736,634	12,812,392
EXCESS (DEFICIENCY) OF REVENUE OVER			
EXPENDITURES	1,811,472	3,239,628	4,353,862
NET INTER-FUND TRANSFERS			
Transfers to capital fund (Schedule 2)	(1,648,000)	(2,426,340)	(2,796,550)
Transfers from (to) reserve fund (Schedule 3)	1,123,350	473,858	(547,837)
Capital debt repaid (Schedule 4)	(1,286,822)	(1,286,823)	(1,009,202)
CHANGE IN OPERATING FUND BALANCE	-	323	273
FUND BALANCE AT BEGINNING OF YEAR	1,050,188	1,050,188	1,049,915
FUND BALANCE AT END OF YEAR (Note 12)	1,050,188	1,050,511	1,050,188

Town of Edson
Schedule of Capital Fund Financial Activities and Change in Fund Balance
For the Year Ended December 31, 2008
Schedule 2

	Budget \$	2008 \$	2007 \$
REVENUE			
Government transfers	13,507,094	7,985,757	2,455,653
Investment income	5,000	5,557	7,139
Development levies	75,000	45,000	162,205
Contributions	533,130	224,295	-
Proceeds from disposal of capital assets	24,600	26,310	10,282
Total Revenue	14,144,824	8,286,919	2,635,279
EXPENDITURES			
Administration	764,000	128,141	49,339
Transportation	4,938,621	3,652,985	3,171,905
Airport	78,619	80,115	90,076
Water and Wastewater	9,904,671	5,666,676	2,550,156
Waste Management	766,947	380,373	66,987
Other	3,126,032	2,811,868	735,447
Total Expenditures	19,578,890	12,720,158	6,663,910
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(5,434,066)	(4,433,239)	(4,028,631)
CAPITAL FINANCING AND NET INTER-FUND TRANSFERS			
Transfers from operating fund (Schedule 1)	1,648,000	2,426,340	2,796,550
Transfers from (to) reserve fund (Schedule 3)	1,668,960	(414,542)	(1,380,422)
Capital debt issued (Schedule 4)	1,274,000	860,514	3,589,666
	4,590,960	2,872,312	5,005,794
CHANGE IN CAPITAL FUND BALANCE	(843,106)	(1,560,927)	977,163
FUND BALANCE AT BEGINNING OF YEAR	843,106	843,106	(134,057)
FUND BALANCE AT END OF YEAR (Note 13)	-	(717,821)	843,106

Town of Edson
Schedule of Reserve Fund Financial Activities and Change in Fund Balance
For the Year Ended December 31, 2008
Schedule 3

	Budget	2008	2007
	<u>\$</u>	<u>\$</u>	<u>\$</u>
NET INTER-FUND TRANSFERS			
Transfer from operating fund	748,012	1,109,461	2,802,888
Transfer to operating fund	<u>(1,871,362)</u>	<u>(1,583,319)</u>	<u>(2,255,051)</u>
Net transfer (to) from operating fund	<u>(1,123,350)</u>	<u>(473,858)</u>	<u>547,837</u>
Transfer from capital fund	1,835,752	2,358,480	3,012,889
Transfer to capital fund	<u>(3,504,712)</u>	<u>(1,943,938)</u>	<u>(1,632,467)</u>
Net transfer (to) from capital fund	<u>(1,668,960)</u>	<u>414,542</u>	<u>1,380,422</u>
CHANGE IN RESERVE FUND BALANCE	(2,792,310)	(59,316)	1,928,259
FUND BALANCE AT BEGINNING OF YEAR	<u>8,228,181</u>	<u>8,228,181</u>	<u>6,299,922</u>
FUND BALANCE AT END OF YEAR (Note 14)	<u>\$ 5,435,871</u>	<u>\$ 8,168,865</u>	<u>\$ 8,228,181</u>

Town of Edson
Schedule of Equity in Capital Assets
For the Year Ended December 31, 2008
Schedule 4

	Budget	2008	2007
	\$	\$	\$
ACQUISITION OF CAPITAL ASSETS			
Administration	764,000	128,141	49,339
Fire Department	419,000	40,927	-
Common Services	505,306	541,587	609,031
Roads, streets, walks, lighting	4,938,621	3,652,985	3,171,905
Airport	78,619	80,115	90,076
Storm Sewers & Drainage	80,000	9,190	-
Water supply and distribution	9,716,078	5,666,676	2,530,874
Wastewater	188,593	-	19,282
Waste Management	766,947	380,373	66,987
Cemetery	16,500	4,290	-
Planning	40,320	-	4,780
Subdivision	10,000	-	-
Recreation	2,054,906	2,045,474	121,636
Culture		170,400	-
	<u>19,578,890</u>	<u>12,720,158</u>	<u>6,663,910</u>
DISPOSAL OF CAPITAL ASSETS (COST)			
Administration	-	-	-
Common Services	(24,600)	(304,122)	(36,111)
Roads, streets, walks, lighting	-	-	-
	<u>(24,600)</u>	<u>(304,122)</u>	<u>(36,111)</u>
CAPITAL FINANCING			
Capital debt issued (Schedule 2)	(1,274,000)	(860,514)	(3,589,666)
Capital debt repaid from operating fund (Schedule 1)	1,286,822	1,286,823	1,009,202
Capital debt repaid from other sources	-	-	-
DEBT CHARGES RECOVERABLE			
Debt charges applied	-	-	-
CHANGE IN EQUITY BALANCE	19,567,112	12,842,345	4,047,335
EQUITY BALANCE AT BEGINNING OF YEAR	<u>77,192,001</u>	<u>77,192,001</u>	<u>73,144,666</u>
EQUITY BALANCE AT END OF YEAR (Note 15)	<u>96,759,113</u>	<u>90,034,346</u>	<u>77,192,001</u>

Town of Edson
Schedule of Property and Other Taxes
For the Year Ended December 31, 2008
Schedule 5

	Budget	2008	2007
	\$	\$	\$
TAXATION			
Real property taxes	9,362,335	9,198,188	8,639,386
Linear property taxes	494,375	504,918	530,486
Government grants in lieu of property taxes	223,546	223,546	207,248
Special assessment and local improvement tax	623,512	632,569	437,042
	<u>10,703,768</u>	<u>10,559,221</u>	<u>9,814,162</u>
REQUISITIONS			
Alberta School Foundation Fund	2,270,562	2,269,779	2,167,543
Living Waters Separate School District	299,618	299,618	297,230
Evergreens Seniors Foundation	241,006	91,006	458,247
	<u>2,811,186</u>	<u>2,660,403</u>	<u>2,923,020</u>
NET MUNICIPAL TAXES	<u><u>7,892,582</u></u>	<u><u>7,898,818</u></u>	<u><u>6,891,142</u></u>

Town of Edson
Schedule of Government Transfers
For the Year Ended December 31, 2008
Schedule 6

	Budget \$	2008 \$	2007 \$
FEDERAL TRANSFERS			
Shared-cost agreements and grants	2,533,604	1,364,014	475,236
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	11,289,154	7,514,393	2,830,827
Debt interest rebates	-	-	-
	<u>11,289,154</u>	<u>7,514,393</u>	<u>2,830,827</u>
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements and grants	2,267,045	1,797,000	1,506,998
	<u>16,089,803</u>	<u>10,675,407</u>	<u>4,813,061</u>

Town of Edson
Schedule of Consolidated Expenditures by Object
For the Year Ended December 31, 2008
Schedule 7

	Budget	2008	2007
	\$	\$	\$
CONSOLIDATED EXPENDITURES BY OBJECT			
Salaries, wages and benefits	5,196,903	4,943,435	4,466,861
Contracted and general services	4,564,755	4,116,121	3,717,284
Materials, goods and utilities	2,000,480	1,946,840	1,856,497
Transfers to local boards and agencies	189,133	221,848	187,878
Bank charges and short term interest	3,500	4,338	3,239
Interest on long term debt	421,893	412,237	324,932
Capital assets acquired	19,578,890	12,720,158	6,663,909
Purchases from other governments	1,505,636	1,573,108	1,376,096
Grants to Organizations	368,141	445,363	709,348
Other expenditures	129,442	73,344	170,257
	<u>33,958,773</u>	<u>26,456,792</u>	<u>19,476,301</u>

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2008

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 Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). 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.

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2008

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.

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 asset costs.

Assets have not been amortized as of December 31, 2008.

i) *Tangible Capital Assets*

During 2008, the Town of Edson continued to work towards compliance with the new recommendations for accounting for tangible capital assets. Effective December 18, 2007 the Town of Edson adopted a Tangible Capital Assets Policy with Managerial Guidelines. This policy's

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2008

guidelines include establishing the asset classification, the capitalization thresholds, the method of valuing the asset, the amortization basis, determining the method of asset write-down and disposal, and establishing the maximum useful life for each asset classification.

A complete listing of assets and values is currently being established and expected to be substantially completed by July 1, 2009.

Amortization is expected to be presented in the 2009 Financial Statements, and is calculated on a straight-line basis over the assets useful life as follows:

	Years
Land Improvements	15 - 25
Buildings	25 - 50
Engineered Structures	
Roadway system	10 - 40
Water system	45 - 75
Wastewater system	45 - 75
Storm system	45 - 75
Machinery and equipment	5 - 40
Vehicles	10 - 25

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.

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.

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2008

l) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

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, 2008

2 CASH AND TEMPORARY INVESTMENTS

	<u>2008</u>	<u>2007</u>
	<u>\$</u>	<u>\$</u>
Cash	<u>1,399,816</u>	1,754,237
Temporary Investments	<u>8,440,672</u>	10,828,847
	<u>9,840,488</u>	<u>12,583,084</u>

Temporary Investments are short-term deposits with original maturities of three months or less. Included in the above balances are \$ 2,770,479 (2007 - \$5,341,831) of funds which are restricted in use, of which \$8,523 are unspent debenture revenue that will fund specific capital projects in 2009. The temporary investments have a fair market value of \$8,453,337 (2007 - \$10,869,140). Temporary investments have effective interest rates of 1.43% - 3.25% (2007 - 4.595% to 4.736%) and all mature by March 4, 2009.

3 TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2008</u>	<u>2007</u>
	<u>\$</u>	<u>\$</u>
Current taxes and grants in lieu	<u>262,480</u>	197,097
Tax arrears and grants in lieu	<u>368,510</u>	570,812
	<u>630,990</u>	767,909
Less: allowance for doubtful accounts	<u>(66,242)</u>	(175,071)
	<u>564,748</u>	<u>592,838</u>

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 (\$296,634) and the allowance established for uncollectable taxes (\$66,242) is \$230,392. Future sales proceeds on these lands are anticipated to be sufficient to cover this difference.

4 INVESTMENTS

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
A.M.H.C. Shares	<u>30</u>	<u>30</u>	30	30
Short Term Notes	<u>-</u>	<u>-</u>	-	-
	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2008

5 OTHER FINANCIAL ASSETS

	<u>2008</u>	<u>2007</u>
	<u>\$</u>	<u>\$</u>
Accrued Interest on Investments	47,291	51,580
School Requisition Underlevy	2,849	783
	<u>50,140</u>	<u>52,363</u>

6 CAPITAL ASSETS

	<u>2008</u>	<u>2007</u>
	<u>\$</u>	<u>\$</u>
Engineered Structures	79,061,782	69,259,683
Buildings	10,951,169	9,765,942
Machinery and Equipment	4,533,313	3,528,274
Land	1,456,707	1,286,307
Vehicles	2,938,495	2,685,224
	<u>98,941,466</u>	<u>86,525,430</u>

7 DEFERRED REVENUE

	<u>2008</u>	<u>2007</u>
	<u>\$</u>	<u>\$</u>
Prepaid local improvement charges	130,755	58,552
Unearned revenue	2,645	2,350
Conditional government grants	2,433,801	3,722,166
	<u>2,567,201</u>	<u>3,783,068</u>

Prepaid local improvement charges

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

Conditional government grants

The use of these funds is restricted to eligible capital projects, as approved under the funding agreements, which are scheduled for completion in 2009. 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, 2008

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 2006 the Town received license approval from Alberta Environment to expand the existing dry waste facility. 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 397,785 tonnes (2007 - 434,785 tonnes). The existing landfill site is expected to reach capacity in the year 2025.

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

	<u>2008</u>	<u>2007</u>
	<u>\$</u>	<u>\$</u>
Dry Waste		
Estimated closure costs	<u>1,072,500</u>	<u>975,000</u>
Estimated total liability	<u>1,072,500</u>	<u>975,000</u>
Estimated capacity remaining	<u>61.20%</u>	<u>66.89%</u>
Portion of total liability remaining to be recognized	<u>656,370</u>	<u>652,178</u>
Estimated capacity used	<u>38.80%</u>	<u>33.11%</u>
Accrued liability portion	<u>416,130</u>	<u>322,823</u>
Wet Waste		
Estimated post closure costs	<u>142,296</u>	<u>129,360</u>
Estimated total liability	<u>142,296</u>	<u>129,360</u>
Total closure and post closure costs	558,426	452,183
Less Yellowhead County Contribution	<u>(63,133)</u>	<u>-</u>
Total accrued liability	<u>495,293</u>	<u>452,183</u>

The Yellowhead County has entered into an agreement with the Town of Edson whereby the County has committed to sharing the future landfill closure costs based on 25% of the closure costs multiplied by the years the landfill has been in operation divided by the years the County has used the landfill.

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2008

9 EMPLOYEE BENEFIT OBLIGATIONS

	2008	2007
	\$	\$
Vacation and overtime	271,699	246,275

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

	2008	2007
	\$	\$
Tax supported debentures	1,248,973	3,041,057
Special levy supported debentures	6,607,246	5,937,020
Utility rate supported debentures	1,050,901	355,352
	8,907,120	9,333,429

The current portion of the long-term debt amounts to \$1,365,359 (2007 - \$1,286,823).

Principal and interest repayments are due as follows:

	Principal	Interest	Total
	\$	\$	\$
2009	1,365,359	402,387	1,767,746
2010	972,218	351,910	1,324,128
2011	459,119	317,005	776,124
2012	481,376	294,748	776,124
2013	275,794	274,021	549,815
Thereafter	5,353,254	2,222,253	7,575,507
	8,907,120	3,862,324	12,769,444

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 3.405% to 5.875% per annum and mature in periods 2009 through 2032. Debenture debt is issued on the credit and security of the Town of Edson at large.

Interest on long-term debt amounted to \$412,237 (2007 - \$ 324,932).

The town's total cash payments for interest in 2008 were \$414,931 (2007 - \$284,621).

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2008

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>2008</u>	<u>2007</u>
	<u>\$</u>	<u>\$</u>
Total debt limit	25,916,136	26,018,820
Less total debt	8,907,120	9,333,429
Total debt limit remaining	<u>17,009,016</u>	<u>16,685,391</u>
Service on debt limit	4,319,356	4,336,470
Less service on debt	1,767,746	1,701,754
Amount of debt servicing limit unused	<u>2,551,610</u>	<u>2,634,716</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 statement must be interpreted as a whole.

12 OPERATING FUND

	<u>2008</u>	<u>2007</u>
	<u>\$</u>	<u>\$</u>
Unallocated	<u>1,050,511</u>	<u>1,050,188</u>

13 CAPITAL FUND

	<u>2008</u>	<u>2007</u>
	<u>\$</u>	<u>\$</u>
Financing available:		
Highway Watermains	-	1,324,797
Imperial Road Rebuild	8,523	21,365
Lane Paving	-	4,789
Motco Road & Related work	-	18,383
	<u>8,523</u>	<u>1,369,334</u>
Amounts to be financed:		
Utility Study	-	77,157
Arena Renovations	565,227	386
Block 131 Infrastructure	-	187,920
Water Wells	-	124,639
Lagoon Rehab	36,407	36,407
Centennial Parking Lot	11,651	-
Transfer Station	113,059	99,719
	<u>726,344</u>	<u>526,228</u>
	<u>(717,821)</u>	<u>843,106</u>

The excess funds will be spent on this project in 2009.

The overexpended capital projects will be funded from reserves, government grants and contributions.

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2008

14 RESERVE FUND

	<u>2008</u>	<u>2007</u>
	\$	\$
Operating reserves:		
Computer & Equipment	20,000	20,000
Administration	382,945	382,945
Community Development	-	500,000
Centennial Celebration	200,000	200,000
Alarie Reserve	38,000	38,000
Copier #2	30,981	27,981
Fire Fighting	27,000	27,000
Building Maintenance	511,289	483,830
Energy Conservation	423,271	441,690
Equipment Maintenance	21,000	21,000
Transportation	25,000	-
Snow Removal	198,000	198,000
Airport	10,000	10,000
Sewer	100,000	30,000
Parent Link	14,453	32,903
F.C.S.S.	9,306	9,306
Planning / E.D.C.	46,628	90,000
Resale Land Purchase	1,023,874	1,024,935
Recreation Projects	42,700	42,700
Recreation Building Maintenance	376,794	376,794
Culture	31,985	50,000
Unconditional Contingency Reserve	806,832	806,832
	<u>4,340,058</u>	<u>4,813,916</u>
Capital reserves:		
Office Equipment	160,297	122,841
Fire Equipment	360,103	344,624
63rd Street Upgrades	-	155,000
Johnson Estates General Area	92,943	102,134
Skyview Subdivision	-	8,255
Infrastructure	1,587,450	955,248
40th Street Upgrade	29,653	-
Landfill	399,810	399,810
Cemetery	72,505	71,275
Future Land Purchases	73,618	73,618
Public Reserve Trust	137,208	131,651
Recreation Redevelopment	60,977	60,977
Recreation Facilities	338,350	338,350
Unconditional Reserves	515,893	650,482
	<u>3,828,807</u>	<u>3,414,265</u>
	<u>8,168,865</u>	<u>8,228,181</u>

15 EQUITY IN CAPITAL ASSETS

	<u>2008</u>	<u>2007</u>
	\$	\$
Capital Assets (Note 6)	98,941,466	86,525,430
Long-term debt (Note 10)	(8,907,120)	(9,333,429)
	<u>90,034,346</u>	<u>77,192,001</u>

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2008

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>2008 Total</u>
	\$	\$	\$
Mayor Greg Pasychny	26,086	3,185	29,271
Councillor B. Boyce	14,811	375	15,186
Councillor L. Connolly	16,810	422	17,232
Councillor A. Delisle	10,745	196	10,941
Councillor L. Friesen	17,617	448	18,065
Councillor J. Gomułka	14,464	809	15,273
Councillor K. Zahara	15,302	332	15,634
Town Manager	132,211	38,583	170,794
Assessor (contracted)	63,000	-	63,000

(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 & 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.

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 LAPP serves about 168,000 people. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

The Town of Edson is required to make current service contributions to the Plan of 7.75% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan, and 10.64% of pensionable earnings above this amount.

Total current service contributions by the Town of Edson to the Local Authorities Pension Plan in 2008 were \$215,181 (2007 - \$163,484). Total current and past service contributions by the employees of the Town of Edson to the Local Authorities Pension Plan in 2008 were \$189,524 (2007 - \$143,547)

As at December 31, 2007 the Plan disclosed an actuarial deficiency of \$1,183.3 million.

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2008

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 COMMITMENTS

The town is committed to make annual payments of \$30,970 for computer system lease ending September 30, 2009; and annual payments of \$63,600 for assessment services ending June 30, 2009.

The town is also committed to a service agreement with a company for the provision of detecting certain traffic violations and issuing citations to alleged violators within town limits, ending October 19, 2009.

The town has entered into an agreement for ambulance services ending March 31, 2009 with annual costs of \$350,000 of which 42% is cost shared by Yellowhead County.

The town has a contract with BYZ Construction Inc. for infrastructure replacement. The project is incomplete and the town is committed to complete the contract in 2009 in the amount of \$3,872,449.

20 FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, receivables, accounts payable, accrued liabilities, deposit liabilities, other 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.

21 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.
