

Mergaert, Barford, Williams & Joly
Chartered Accountants

TOWN OF EDSON
Consolidated Financial Statements
Year Ended December 31, 2013

TOWN OF EDSON
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Year Ended December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Members of council

We have audited the accompanying consolidated financial statements of Town of Edson, which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of operations, changes in accumulated surplus, 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 consolidated financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

(continues)



Independent Auditor's Report to the Members of council *(continued)*

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Town of Edson as at December 31, 2013, and the results of its operations, change in its accumulated surplus, net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Mergaert, Barford, Williams & Joly

Edson, Alberta
April 17, 2014

CHARTERED ACCOUNTANTS

TOWN OF EDSON
Consolidated Statement of Financial Position
December 31, 2013

	2013	2012
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 12,416,185	\$ 12,473,018
Receivables		
Taxes and grants in place of taxes (Note 3)	347,037	668,792
Trade and other receivables	3,256,264	4,408,740
Land held for resale	1,784,666	1,391,160
Inventory held for resale	9,951	13,723
Long term investments	30	30
Other financial assets (Note 4)	19,412	30,509
Other long term assets	7,450	13,750
	<u>17,840,995</u>	<u>18,999,722</u>
LIABILITIES		
Accounts payable and accrued liabilities	2,660,149	2,762,455
Deposit liabilities	1,383,152	1,312,983
Deferred revenue (Note 6)	1,498,431	1,887,278
Provision for landfill closure (Note 7)	1,002,026	876,992
Other long-term liabilities	149,599	149,599
Long term debt (Note 8)	14,257,794	16,038,424
	<u>20,951,151</u>	<u>23,027,731</u>
NET FINANCIAL DEBT	<u>(3,110,156)</u>	<u>(4,028,009)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (schedule 1)	78,948,492	74,968,735
Prepaid expenses	11,102	13,503
Inventory for consumption	438,098	429,349
	<u>79,397,692</u>	<u>75,411,587</u>
ACCUMULATED SURPLUS (Note 11)	<u>\$ 76,287,536</u>	<u>\$ 71,383,578</u>
COMMITMENTS AND CONTINGENCIES (Notes 15, 16)		

See notes to financial statements

**Mergaert, Barford,
Williams & Joly**
Chartered Accountants

TOWN OF EDSON
Consolidated Statement of Operations
Year Ended December 31, 2013

	Budget (Unaudited)	2013	2012
REVENUE			
Net municipal taxes (Schedule 2)	\$ 9,984,711	\$ 9,975,959	\$ 9,660,398
Government operating transfers (Schedule 3)	4,784,674	4,771,361	4,623,816
User fees and sales of goods	4,544,380	5,041,207	4,073,232
Investment income	64,000	134,968	96,996
Penalties and costs on taxes	117,000	129,049	101,984
Licenses and permits	89,500	96,033	86,212
Fines	787,000	1,001,779	943,106
Franchise fees	634,096	709,619	667,405
Rentals	546,200	641,115	571,931
Other	-	24,624	23,578
Development levies	30,000	47,420	21,000
Contributions - operating	-	100,000	120,000
Gain on sale of tangible capital assets	-	4,056	161,041
	<u>21,581,561</u>	<u>22,677,190</u>	<u>21,150,699</u>
EXPENSES			
Legislative	238,050	214,200	201,612
General administration	1,661,979	1,675,132	1,587,173
Protective services	3,567,590	3,925,999	3,557,238
Roads, streets, and equipment	5,298,558	4,976,648	4,511,068
Utilities	3,570,310	3,687,391	3,531,247
Public health and welfare	637,135	668,920	630,422
Planning and development	835,488	1,196,354	351,388
Recreation and parks	4,019,260	4,196,296	3,707,703
Culture	515,323	573,142	862,814
	<u>20,343,693</u>	<u>21,114,082</u>	<u>18,940,665</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES FROM OPERATIONS	1,237,868	1,563,108	2,210,034
OTHER INCOME			
Government capital transfers (Schedule 3)	6,492,401	3,340,850	3,553,995
EXCESS OF REVENUE OVER EXPENSES	7,730,269	4,903,958	5,764,029
ACCUMULATED SURPLUS, BEGINNING OF YEAR	71,383,578	71,383,578	65,619,549
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 79,113,847</u>	<u>\$ 76,287,536</u>	<u>\$ 71,383,578</u>

See notes to financial statements

**Mergaert, Barford,
Williams & Joly**
Chartered Accountants

TOWN OF EDSON
Consolidated Statement of Changes in Accumulated Surplus
Year Ended December 31, 2013

	Unrestricted Surplus	Restricted Surplus	Equity in TCA	2013	2012
BALANCE - BEGINNING OF PERIOD	\$ 2,502,708	\$ 9,950,558	\$ 58,930,312	\$ 71,383,578	\$ 65,619,549
Excess of revenue over expenses	4,903,958	-	-	4,903,958	5,764,029
Unrestricted funds designated for future use	(5,092,661)	5,092,661	-	-	-
Restricted funds used for operations	430,426	(430,426)	-	-	-
Restricted funds used for tangible capital assets	-	(5,046,873)	5,046,873	-	-
Current year funds used for tangible capital assets	(2,159,803)	-	2,159,803	-	-
Disposal of tangible capital assets	444,416	-	(444,416)	-	-
Annual amortization expense	2,782,504	-	(2,782,504)	-	-
Long term debt repaid	(2,415,730)	-	2,415,730	-	-
Proceeds from long term debt	635,100	-	(635,100)	-	-
BALANCE - END OF PERIOD	\$ 2,030,918	\$ 9,565,920	\$ 64,690,698	\$ 76,287,536	\$ 71,383,578

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Change in Net Financial Assets (Debt)
Year Ended December 31, 2013

	2013	2012
EXCESS OF REVENUE OVER EXPENSES	\$ 4,903,958	\$ 5,764,029
Loss on sale	-	-
Gain on sale	(4,056)	(161,041)
Acquisition of tangible capital assets	(7,206,677)	(11,832,507)
Write down of tangible capital assets	374,472	19,137
Proceeds on disposal of tangible capital assets	74,001	219,180
Amortization of tangible capital assets	2,782,504	2,586,303
	<u>(3,979,756)</u>	<u>(9,168,928)</u>
Change in supplies inventory	(8,749)	(39,446)
Change in prepaid assets	2,400	246,830
	<u>(6,349)</u>	<u>207,384</u>
(INCREASE) DECREASE IN NET DEBT	917,853	(3,197,515)
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	(4,028,009)	(830,494)
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ (3,110,156)	\$ (4,028,009)

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Cash Flows
Year Ended December 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 4,903,958	\$ 5,764,029
Items not affecting cash:		
Amortization of tangible capital assets	2,782,504	2,586,303
Gain on sale of tangible capital assets	(4,056)	(161,041)
Write down of tangible capital assets	-	19,137
	<u>7,682,406</u>	<u>8,208,428</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes	321,755	69,285
Trade and other receivables	1,152,476	(153,438)
Land held for resale	(393,506)	15,776
Inventory held for resale	3,772	(6,868)
Inventory for consumption	(8,749)	(39,447)
Prepaid expenses	2,401	246,832
Other financial assets	11,097	(9,933)
Other long term assets	6,300	7,200
Accounts payable and accrued liabilities	(102,307)	(460,086)
Deposit liabilities	70,169	1,444
Deferred revenue	(388,847)	(110,844)
Provision for landfill closure	125,034	87,851
	<u>799,595</u>	<u>(352,228)</u>
Cash flow from operating activities	<u>8,482,001</u>	<u>7,856,200</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(7,206,677)	(11,832,507)
Proceeds on disposal of tangible capital assets	74,001	219,180
Transfer of tangible capital assets to land held for resale	374,472	-
	<u>(6,758,204)</u>	<u>(11,613,327)</u>
Cash flow used by investing activities	<u>(6,758,204)</u>	<u>(11,613,327)</u>
FINANCING ACTIVITIES		
Proceeds from long term financing	635,100	9,553,243
Repayment of long term debt	(2,415,730)	(740,858)
	<u>(1,780,630)</u>	<u>8,812,385</u>
Cash flow from (used by) financing activities	<u>(1,780,630)</u>	<u>8,812,385</u>
INCREASE (DECREASE) IN CASH FLOW	(56,833)	5,055,258
Cash - beginning of year	<u>12,473,018</u>	<u>7,417,760</u>
CASH - END OF YEAR (Note 2)	<u>\$ 12,416,185</u>	<u>\$ 12,473,018</u>

See notes to financial statements

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TOWN OF EDSON
Consolidated Schedule of Tangible Capital Assets (Schedule 1)
Year Ended December 31, 2013

	Land		Buildings		Engineered Structures		Machinery and Equipment		Vehicles		2013	2012
	Land	Improvements										
COST												
BALANCE, BEGINNING OF YEAR	\$ 9,602,712	\$ 12,611,691	\$ 11,995,679	\$ 84,769,750	\$ 4,613,423	\$ 2,752,017	\$ 126,345,272	\$ 114,594,974				
Acquisition of tangible capital assets	118,377	1,211,336	1,076,189	1,585,977	405,011	231,583	4,628,473	6,722,707				
Construction in progress	-	(222,032)	(259,615)	2,828,837	231,014	-	2,578,204	5,109,800				
Disposal of tangible capital assets	-	(3,021)	(24,189)	(24,381)	(266,185)	(113,356)	(431,132)	(63,072)				
Write down of tangible capital assets	-	-	-	-	-	-	-	-				(19,137)
Transfer of capital assets to land held for resale	-	-	-	(374,472)	-	-	(374,472)	-				-
BALANCE, END OF YEAR	\$ 9,721,089	\$ 13,597,974	\$ 12,788,064	\$ 88,785,711	\$ 4,983,263	\$ 2,870,244	\$ 132,746,345	\$ 126,345,272				
ACCUMULATED AMORTIZATION												
BALANCE, BEGINNING OF YEAR	\$ -	\$ 3,980,275	\$ 3,882,921	\$ 40,229,709	\$ 2,161,179	\$ 1,122,453	\$ 51,376,537	\$ 48,795,168				
Annual amortization	-	419,826	302,787	1,518,878	350,764	190,249	2,782,504	2,586,303				
Accumulated amortization on disposals	-	-	(19,311)	(18,321)	(222,528)	(101,028)	(361,188)	(4,934)				
BALANCE, END OF YEAR	\$ -	\$ 4,400,101	\$ 4,166,397	\$ 41,730,266	\$ 2,289,415	\$ 1,211,674	\$ 53,797,853	\$ 51,376,537				
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS												
BALANCE, END OF YEAR	\$ 9,721,089	\$ 9,197,873	\$ 8,621,667	\$ 47,055,445	\$ 2,693,848	\$ 1,658,570	\$ 78,948,492	\$ 74,968,735				
2012 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS												
	\$ 9,602,712	\$ 8,631,416	\$ 8,112,758	\$ 44,540,041	\$ 2,452,244	\$ 1,629,564		\$ 74,968,735				

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Property and Other Taxes *(Schedule 2)*
Year Ended December 31, 2013

	Budget (Unaudited)	2013	2012
TAXATION			
Real property taxes	\$ 11,765,926	\$ 11,796,240	\$ 11,475,620
Linear property taxes	524,032	523,034	505,839
Government grants in place of property taxes	247,170	247,171	259,350
Special assessments and local improvement taxes	691,101	653,032	671,430
	<u>13,228,229</u>	<u>13,219,477</u>	<u>12,912,239</u>
REQUISITIONS			
Grande Yellowhead Public School Division	2,743,593	2,743,593	2,742,507
Living Waters Catholic Regional Division	349,759	349,759	355,444
Evergreens Seniors Foundation	150,166	150,166	153,890
	<u>3,243,518</u>	<u>3,243,518</u>	<u>3,251,841</u>
NET MUNICIPAL TAXES	<u>\$ 9,984,711</u>	<u>\$ 9,975,959</u>	<u>\$ 9,660,398</u>

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Government Transfers
Year Ended December 31, 2013

(Schedule 3)

	Budget (Unaudited)	2013	2012
TRANSFERS FOR OPERATING			
Federal government transfers	\$ 600	\$ 2,000	\$ 600
Provincial government transfers	872,491	862,571	869,619
Local government transfers	3,911,583	3,906,790	3,753,597
	<u>4,784,674</u>	<u>4,771,361</u>	<u>4,623,816</u>
TRANSFERS FOR CAPITAL			
Provincial government transfers	6,452,401	3,340,850	2,700,971
Local government transfers	40,000	-	853,024
	<u>6,492,401</u>	<u>3,340,850</u>	<u>3,553,995</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 11,277,075</u>	<u>\$ 8,112,211</u>	<u>\$ 8,177,811</u>

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Expenses by Object
Year Ended December 31, 2013

(Schedule 4)

	Budget (Unaudited)	2013	2012
EXPENSES			
Salaries, wages and benefits	\$ 6,591,705	\$ 6,534,416	\$ 6,137,571
Contracted and general services	4,710,962	4,557,603	4,265,896
Purchases from other governments	1,943,657	2,287,553	1,914,848
Materials, goods, supplies, and utilities	2,472,450	2,449,376	2,256,649
Transfers to local boards and agencies	274,400	274,400	284,970
Transfers to individuals and organizations	1,216,660	1,334,385	1,001,226
Bank charges and short-term interest	41,510	11,522	11,144
Interest on capital long-term debt	428,065	428,067	342,489
Other expenditures	77,983	454,256	139,569
Amortization of tangible capital assets	2,586,301	2,782,504	2,586,303
	<u>\$ 20,343,693</u>	<u>\$ 21,114,082</u>	<u>\$ 18,940,665</u>

See notes to financial statements

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

1. **SUMMARY OF 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 governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the town are as follows:

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.

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.

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.

Use of Estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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.

Cash and temporary investments

Cash includes cash and temporary investments. Temporary investments are investments in guaranteed investment certificates with a term of less than one year. They are valued at cost plus accrued interest.

(continues)

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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.

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.

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.

Land 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 the respective function.

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.

(continues)

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

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.

1. 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.

2. 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.

3. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

4. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

(continues)

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized on a straight line basis over their estimated useful lives at the following rates:

Land Improvements	10-50 years
Buildings	25-50 years
Engineered Structures	
Water system	45-75 years
Wastewater system	45-75 years
Other engineered structures	10-50 years
Machinery and equipment	5-40 years
Vehicles	10-25 years

Amortization is charged on a monthly basis, starting in the month after the asset is purchased or construction is complete. Assets under construction are not amortized until the asset is available for productive use.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2013</u>	<u>2012</u>
Cash	\$ 12,216,185	\$ 12,273,018
Temporary investments	200,000	200,000
	<u>\$ 12,416,185</u>	<u>\$ 12,473,018</u>

Temporary investments are short-term deposits with original maturities of one year or less. Included in the above balances are \$1,357,951 (2012 - \$1,747,503) of funds which are restricted in use. The temporary investments have a fair market value of \$202,101 (2012 - \$202,586). Temporary investments have effective interest rates of 1.6% to 1.65% (2012 - 2%) and mature May 9, 2014.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2013</u>	<u>2012</u>
Current taxes and grants in lieu	\$ 324,895	\$ 357,537
Tax arrears and grants in lieu	88,384	79,473
Forfeited land taxes	-	298,024
Subtotal	<u>413,279</u>	<u>735,034</u>
Less: allowance for doubtful accounts	<u>(66,242)</u>	<u>(66,242)</u>
	<u>\$ 347,037</u>	<u>\$ 668,792</u>

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

4. OTHER FINANCIAL ASSETS

	2013	2012
Accrued interest on investments	\$ 14,847	\$ 15,942
School requisition underlevy	4,565	14,567
	\$ 19,412	\$ 30,509

5. EMPLOYEE BENEFIT OBLIGATIONS

	2013	2012
Vacation pay	\$ 438,038	\$ 398,207
Overtime	7,165	4,808
	\$ 445,203	\$ 403,015

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.

6. DEFERRED REVENUE

	2013	2012
Prepaid local improvement charges	\$ 152,691	\$ 150,932
Conditional government grants	1,216,860	1,607,466
Unearned revenue	128,880	128,880
	\$ 1,498,431	\$ 1,887,278

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

The use of conditional government grants is restricted to eligible capital projects, as approved under the funding agreements, which are scheduled for completion in 2014.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

7. **LANDFILL CLOSURE AND POST-CLOSURE LIABILITY**

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 165,680 tonnes (2012 – 189,144 tonnes). The existing landfill site is expected to reach capacity in approximately 2021.

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

	2013	2012
Dry Waste		
Estimated closure costs	\$ 1,234,043	\$ 1,121,857
Estimated capacity remaining	25.49 %	29.23 %
Portion of total liability remaining to be recognized	\$ 314,558	\$ 327,919
Estimated capacity used	74.51 %	70.77 %
Estimated dry waste liability	\$ 919,485	\$ 793,938
Wet Waste		
Estimated post closure costs	\$ 229,169	\$ 208,336
Estimated wet waste liability	\$ 229,169	\$ 208,336
Total closure and post closure costs	\$ 1,148,654	\$ 1,002,274
Less: Yellowhead County contribution	(146,628)	(125,282)
	\$ 1,002,026	\$ 876,992

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 Consolidated Financial Statements
Year Ended December 31, 2013

8. LONG-TERM DEBT

	2013	2012
Tax supported debt	\$ 8,559,039	\$ 10,682,369
Special levy supported debt	5,698,755	5,356,055
	\$ 14,257,794	\$ 16,038,424

Principal and interest payments are due as follows:

	Principal	Interest	Total
2014	\$ 2,493,820	\$ 394,858	\$ 2,888,678
2015	2,544,988	343,689	2,888,677
2016	2,597,490	291,188	2,888,678
2017	2,357,302	238,514	2,595,816
2018	400,434	196,378	596,812
Thereafter	3,863,760	1,041,019	4,904,779
	\$ 14,257,794	\$ 2,505,646	\$ 16,763,440

Debenture debt is repayable to the Alberta Capital Financing Authority and bears interest at rates ranging from 1.65% to 5.875% per annum, and mature in periods 2016 through 2032. Long-term debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$428,067 (2012 - \$342,489).

The town's total cash payments for interest in 2013 were \$437,346 (2012 - \$303,921).

9. DEBT LIMITS

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

	2013	2012
Total debt limit	\$ 32,916,668	\$ 33,005,583
Total debt	(14,257,794)	(16,038,424)
Total debt guaranteed	(230,000)	(310,000)
Amount of debt limit unused	\$ 18,428,874	\$ 16,657,159
Debt servicing limit	\$ 5,486,111	\$ 5,500,931
Debt servicing	(2,888,678)	(2,817,475)
Amount of debt servicing limit unused	\$ 2,597,433	\$ 2,683,456

(continues)

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

9. DEBT LIMITS *(continued)*

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.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2013	2012
Tangible capital assets (Schedule 1)	\$132,746,345	\$126,345,272
Accumulated amortization (Schedule 1)	(53,797,853)	(51,376,537)
Long-term debt	(14,257,794)	(16,038,424)
	\$ 64,690,698	\$ 58,930,311

11. ACCUMULATED SURPLUS

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

	2013	2012
Unrestricted surplus	\$ 2,030,918	\$ 2,502,708
Restricted surplus - operating	3,401,647	3,199,289
Restricted surplus - capital	6,066,956	4,020,514
Debenture proceeds retracted for future expenditures	97,317	2,730,755
Equity in tangible capital assets	64,690,698	58,930,312
	\$ 76,287,536	\$ 71,383,578

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

12. SALARY AND BENEFITS DISCLOSURE

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

	Salary	Benefits	2013	2012
Mayor Greg Pasychny	\$ 27,121	\$ 4,904	\$ 32,025	\$ 34,093
Councilor B. Boyce	19,440	7,168	26,608	25,340
Councilor L. Connolly	12,908	1,053	13,961	18,567
Councilor J. Gomuwka	13,645	5,672	19,317	18,931
Councilor K. Zahara	-	-	-	10,252
Councilor G. Chouinard	18,490	3,870	22,360	21,294
Councilor T. Strang	20,011	9,370	29,381	32,911
Councilor T. Bevan	4,007	1,978	5,985	-
Councilor J. Walker	1,960	1,592	3,552	-
Councilor J. Wilkinson	3,060	899	3,959	-
CAO	166,500	42,025	208,525	207,823
Contract Assessor	63,000	-	63,000	63,000

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

Benefits 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.

Benefits figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, travel allowances and car allowances.

13. LOCAL AUTHORITIES PENSION PLAN

Employees of the town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The Plan serves about 223,000 members and 428 employers as at December 2012. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The town is required to make current service contributions to the LAPP of 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan, and 14.47% of pensionable earnings above this amount. Employees of the town are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

Total current service contributions by the Town of Edson to the LAPP in 2013 were \$406,659 (2012 - \$354,487). Total current service contributions by the employees of the Town of Edson to the LAPP in 2013 were \$370,656 (2012 - \$321,564).

As at December 31, 2012, the Plan disclosed an actuarial deficiency of \$4.977 billion.

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Notes to Consolidated Financial Statements
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14. FINANCIAL INSTRUMENTS

Fair Value

The town's financial instruments consist of cash and temporary investments, receivables, accounts payable and accrued liabilities and deposit liabilities. The carrying value of these instruments approximate their fair value due to their immediate or short term maturity.

The carrying value of the long term debt approximates the fair value as the interest rates are consistent with the current rates offered to the municipality for debt with similar terms.

Credit Risk

The town is subject to credit risk to taxes and grants in place of taxes receivable 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 fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

It is management's opinion that the town is not exposed to significant interest, currency or credit risk arising from these financial statements.

15. COMMITMENTS

The town is committed to making annual payments of \$63,000 for assessment services ending June 30, 2014.

The town is also committed to a service agreement with a company for the provision of detecting traffic violations and issuing citations to alleged violators within town limits, ending October 2015.

The town has entered into contracts for the provision of services for infrastructure projects that were not completed in 2013. At December 31, 2013 outstanding commitments on these contracts were:

1. Nason Contracting Group Ltd. - \$1,169,433
 2. ISL Engineering & Land Services - \$66,179
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16. CONTINGENT LIABILITY

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. Any 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 West Yellowhead Regional Waste Management Authority. The town will be liable for its share of any future unfunded landfill reclamation costs.

The Town of Edson has guaranteed a loan of the Kinsmen Club of Edson (a non profit organization). At December 31, 2013, the loan balance was \$230,000 and in accordance with all lending covenants.

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.
