

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

**TOWN OF EDSON**  
**Consolidated Financial Statements**  
**Year Ended December 31, 2017**

**TOWN OF EDSON**  
**Index to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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**INDEPENDENT AUDITOR'S REPORT**

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To the Members of Council

We have audited the accompanying consolidated financial statements of the Town of Edson, which comprise the consolidated statement of financial position as at December 31, 2017 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.

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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 the Town of Edson as at December 31, 2017, 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.

Other Matter

During the year the town identified two matters that required significant adjustments. The Town was previously recording its investment in the West Yellowhead Regional Waste Management Authority as an equity investment. In 2017 this was changed to the proportionate consolidation method. Also, two buildings owned by the Town but not controlled by the Town were recorded as Town assets. Users of the financial statements should refer to Note 20 for further information and restatement of 2016 balances previously reported.

A handwritten signature in cursive script that reads "Mergaert, Barford, Williams, Joly & Starkevich". The signature is written in dark ink on a light background.

Edson, Alberta  
April 17, 2018

CHARTERED ACCOUNTANTS

**TOWN OF EDSON**  
**Consolidated Statement of Financial Position**  
**December 31, 2017**

	2017	2016 <i>(restated)</i>
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments <i>(Note 2)</i>	<b>\$ 22,419,848</b>	\$ 24,557,451
Receivables		
Property taxes <i>(Note 3)</i>	<b>515,957</b>	738,280
Trade and other receivables <i>(Note 4)</i>	<b>3,252,413</b>	3,676,750
Land held for resale	<b>1,467,455</b>	1,467,455
Inventory held for resale	<b>2,284</b>	733
Other financial assets <i>(Note 5)</i>	<b>28,374</b>	16,941
	<b>27,686,331</b>	30,457,610
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<b>4,297,962</b>	3,109,311
Deposit liabilities	<b>768,970</b>	718,243
Deferred revenue <i>(Note 7)</i>	<b>1,158,476</b>	717,852
Provision for landfill closure <i>(Note 8)</i>	<b>1,105,551</b>	1,105,551
Other long-term liabilities	<b>201,417</b>	401,576
Long term debt <i>(Note 9)</i>	<b>14,208,103</b>	16,946,486
	<b>21,740,479</b>	22,999,019
<b>NET FINANCIAL ASSETS</b>	<b>5,945,852</b>	7,458,591
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets <i>(schedule 1)</i>	<b>108,647,202</b>	98,258,562
Prepaid expenses	<b>44,623</b>	62,200
Inventory for consumption	<b>574,365</b>	557,761
	<b>109,266,190</b>	98,878,523
<b>ACCUMULATED SURPLUS</b> <i>(Note 12)</i>	<b>\$115,212,042</b>	\$106,337,114
<b>COMMITMENTS AND CONTINGENCIES</b> <i>(Notes 17, 18)</i>		

See notes to financial statements

**Mergaert, Barford,  
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Chartered Accountants

**TOWN OF EDSON**  
**Consolidated Statement of Operations**  
**Year Ended December 31, 2017**

	Budget (Unaudited)	2017	2016 (Restated)
<b>REVENUE</b>			
Net municipal taxes (Schedule 2)	\$ 11,199,782	\$ 11,130,564	\$ 11,059,340
Government operating transfers (Schedule 3)	7,713,326	7,352,981	7,413,623
User fees and sales of goods	4,923,250	4,273,943	4,130,903
Investment income	101,000	243,460	116,742
Penalties and costs on taxes	120,000	157,618	163,388
Licenses and permits	79,500	65,994	67,526
Fines	1,310,000	1,568,788	2,134,054
Franchise fees	866,752	890,268	817,951
Rentals	743,140	703,539	723,446
Development levies	-	73,904	134,723
Contributions - operating	100,000	100,000	100,000
Other	22,221	380,955	101,537
West Yellowhead Regional Waste Management Authority	376,500	434,466	393,684
	<u>27,555,471</u>	<u>27,376,480</u>	<u>27,356,917</u>
<b>EXPENSES</b>			
Legislative	300,900	267,608	253,598
General administration	2,227,621	2,150,947	1,932,389
Protective services	5,174,488	4,802,068	4,607,123
Roads, streets, and equipment	5,714,641	5,602,466	6,054,478
Utilities	4,903,469	4,600,039	4,431,935
Public health and welfare	777,074	777,559	792,609
Planning and development	646,072	511,039	430,274
Recreation and parks	4,852,095	4,534,079	4,796,247
Culture	614,553	685,289	776,485
	<u>25,210,913</u>	<u>23,931,094</u>	<u>24,075,138</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	<u>2,344,558</u>	<u>3,445,386</u>	<u>3,281,779</u>
<b>OTHER INCOME</b>			
Government capital transfers (Schedule 3)	8,492,915	5,429,542	3,866,139
Contributed capital assets	-	-	3,580,052
	<u>8,492,915</u>	<u>5,429,542</u>	<u>7,446,191</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	10,837,473	8,874,928	10,727,970
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>106,337,114</u>	<u>106,337,114</u>	<u>95,609,144</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$117,174,587</u>	<u>\$115,212,042</u>	<u>\$106,337,114</u>

See notes to financial statements

**Mergaert, Barford,  
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Chartered Accountants

**TOWN OF EDSON**  
**Consolidated Statement of Changes in Accumulated Surplus**  
**Year Ended December 31, 2017**

	Unrestricted Surplus	Restricted Surplus	Equity in TCA	<b>2017</b>	2016 <i>(restated)</i>
<b>BALANCE - BEGINNING OF PERIOD</b>	\$ 2,522,129	\$ 22,502,909	\$ 81,312,076	<b>\$106,337,114</b>	\$ 95,609,144
Excess of revenue over expenses	8,874,928	-	-	<b>8,874,928</b>	10,727,970
Unrestricted funds designated for future use	(3,509,062)	3,509,062	-	-	-
Restricted funds used for tangible capital assets	-	(5,900,324)	5,900,324	-	-
Current year funds used for tangible capital assets	(5,359,085)	-	5,359,085	-	-
Disposal of tangible capital assets	592,178	-	(592,178)	-	-
Annual amortization expense	3,978,561	-	(3,978,561)	-	-
Long term debt repaid	(2,738,383)	-	2,738,383	-	-
Prior year debenture proceeds used for tangible capital assets	-	(3,699,970)	3,699,970	-	-
<b>BALANCE - END OF PERIOD</b>	<b>\$ 4,361,266</b>	<b>\$ 16,411,677</b>	<b>\$ 94,439,099</b>	<b>\$115,212,042</b>	<b>\$106,337,114</b>

See notes to financial statements

**Mergaert, Barford,  
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**TOWN OF EDSON**  
**Consolidated Statement of Change in Net Financial Assets (Debt)**  
**Year Ended December 31, 2017**

	2017	2016 <i>(Restated)</i>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 8,874,928</b>	<b>\$ 10,727,970</b>
Loss on disposal of tangible capital assets	506,418	112,321
Acquisition of tangible capital assets	(14,959,379)	(11,502,447)
Proceeds on disposal of tangible capital assets	85,761	99,596
Amortization of tangible capital assets	3,978,561	3,796,955
	<u>(10,388,639)</u>	<u>(7,493,575)</u>
Change in supplies inventory	(16,605)	(65,372)
Change in prepaid assets	17,577	(21,212)
	<u>972</u>	<u>(86,584)</u>
<b>INCREASE IN NET DEBT</b>	<b>(1,512,739)</b>	<b>3,147,811</b>
<b>NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR</b>	<b>7,458,591</b>	<b>4,310,780</b>
<b>NET FINANCIAL ASSETS (DEBT) - END OF YEAR</b>	<b>\$ 5,945,852</b>	<b>\$ 7,458,591</b>

See notes to financial statements



**TOWN OF EDSON**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2017**

	2017	2016 <i>(Restated)</i>
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 8,874,928	\$ 10,727,970
Items not affecting cash:		
Amortization of tangible capital assets	3,978,561	3,796,955
Loss on disposal of tangible capital assets	506,418	112,321
	<u>13,359,907</u>	<u>14,637,246</u>
Changes in non-cash working capital:		
Property taxes receivable	222,323	(167,566)
Trade and other receivables	424,337	431,354
Land held for resale	-	17,782
Inventory held for resale	(1,551)	9,435
Inventory for consumption	(16,604)	(65,373)
Prepaid expenses	17,577	(21,211)
Other financial assets	(11,433)	(4,707)
Accounts payable and accrued liabilities	1,188,650	(33,455)
Deposit liabilities	50,727	(54,287)
Deferred revenue	440,624	323,899
Other long-term liabilities	(200,159)	(20,523)
	<u>2,114,491</u>	<u>415,348</u>
Cash flow from operating activities	<u>15,474,398</u>	<u>15,052,594</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	(14,959,379)	(11,502,447)
Proceeds on disposal of tangible capital assets	85,761	99,596
Cash flow used by investing activities	<u>(14,873,618)</u>	<u>(11,402,851)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from long term financing	-	10,324,990
Repayment of long term debt	(2,738,383)	(2,597,490)
Cash flow from (used by) financing activities	<u>(2,738,383)</u>	<u>7,727,500</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(2,137,603)</b>	<b>11,377,243</b>
Cash - beginning of year	<u>24,557,451</u>	<u>13,180,208</u>
<b>CASH - END OF YEAR</b> <i>(Note 2)</i>	<b><u>\$ 22,419,848</u></b>	<b><u>\$ 24,557,451</u></b>

See notes to financial statements

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**TOWN OF EDSON**  
**Consolidated Schedule of Tangible Capital Assets**      *(Schedule 1)*  
**Year Ended December 31, 2017**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2017	2016 <i>(restated)</i>
<b>COST</b>								
BALANCE, BEGINNING OF YEAR	\$ 9,975,518	\$ 16,697,083	\$ 20,833,300	\$ 101,547,735	\$ 9,760,767	\$ 2,959,120	<b>\$161,773,523</b>	\$151,025,543
Acquisition of tangible capital assets	-	785,099	282,791	5,748,772	410,535	166,936	<b>7,394,133</b>	8,727,315
Construction in progress	-	(176,963)	(231,454)	8,030,017	(56,354)	-	<b>7,565,246</b>	2,775,132
Disposal of tangible capital assets	-	(320,263)	(6,161)	(771,257)	(270,801)	(39,030)	<b>(1,407,512)</b>	(754,467)
BALANCE, END OF YEAR	\$ 9,975,518	\$ 16,984,956	\$ 20,878,476	\$ 114,555,267	\$ 9,844,147	\$ 3,087,026	<b>\$175,325,390</b>	\$161,773,523
<b>ACCUMULATED AMORTIZATION</b>								
BALANCE, BEGINNING OF YEAR	\$ -	\$ 6,413,581	\$ 6,266,818	\$ 45,486,834	\$ 3,838,756	\$ 1,508,972	<b>\$ 63,514,961</b>	\$ 60,260,555
Annual amortization	-	656,607	613,896	1,730,421	769,966	207,671	<b>3,978,561</b>	3,796,956
Accumulated amortization on disposals	-	(76,223)	(5,411)	(463,707)	(237,473)	(32,520)	<b>(815,334)</b>	(542,550)
BALANCE, END OF YEAR	\$ -	\$ 6,993,965	\$ 6,875,303	\$ 46,753,548	\$ 4,371,249	\$ 1,684,123	<b>\$ 66,678,188</b>	\$ 63,514,961
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 9,975,518</b>	<b>\$ 9,990,991</b>	<b>\$ 14,003,173</b>	<b>\$ 67,801,719</b>	<b>\$ 5,472,898</b>	<b>\$ 1,402,903</b>	<b>\$108,647,202</b>	<b>\$ 98,258,562</b>
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS <i>(restated)</i>	\$ 9,975,518	\$ 10,283,502	\$ 14,566,482	\$ 56,060,901	\$ 5,922,011	\$ 1,450,148		\$ 98,258,562

See notes to financial statements

**TOWN OF EDSON**  
**Consolidated Schedule of Property and Other Taxes**      *(Schedule 2)*  
**Year Ended December 31, 2017**

	Budget (Unaudited)	2017	2016
<b>TAXATION</b>			
Real property taxes	\$ 14,423,394	\$ <b>14,353,654</b>	\$ 13,756,923
Linear property taxes	425,961	<b>426,481</b>	404,981
Government grants in place of property taxes	188,806	<b>188,806</b>	170,751
Special assessments and local improvement taxes	649,724	<b>649,725</b>	664,487
	<u>15,687,885</u>	<u><b>15,618,666</b></u>	<u>14,997,142</u>
<b>REQUISITIONS</b>			
Grande Yellowhead Public School Division	3,391,702	<b>3,391,702</b>	3,064,603
Living Waters Catholic Regional Division	436,668	<b>436,668</b>	380,605
Evergreens Seniors Foundation	659,733	<b>659,732</b>	492,594
	<u>4,488,103</u>	<u><b>4,488,102</b></u>	<u>3,937,802</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 11,199,782</u>	<u>\$ <b>11,130,564</b></u>	<u>\$ 11,059,340</u>

See notes to financial statements

**TOWN OF EDSON**  
**Consolidated Schedule of Government Transfers** **(Schedule 3)**  
**Year Ended December 31, 2017**

	Budget (Unaudited)	<b>2017</b>	2016
<b>TRANSFERS FOR OPERATING</b>			
Federal government transfers	\$ 12,500	\$ 17,192	\$ 2,500
Provincial government transfers	1,023,999	<b>1,088,274</b>	860,531
Local government transfers	6,676,827	<b>6,247,515</b>	6,550,592
	<u>7,713,326</u>	<u><b>7,352,981</b></u>	<u>7,413,623</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government transfers	8,492,915	<b>5,429,542</b>	3,614,058
Local government transfers	-	-	252,081
	<u>8,492,915</u>	<u><b>5,429,542</b></u>	<u>3,866,139</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 16,206,241</u>	<u><b>\$ 12,782,523</b></u>	<u>\$ 11,279,762</u>

See notes to financial statements

**TOWN OF EDSON**  
**Consolidated Schedule of Expenses by Object** **(Schedule 4)**  
**Year Ended December 31, 2017**

	Budget (Unaudited)	<b>2017</b>	2016 (Restated)
<b>EXPENSES</b>			
Salaries, wages and benefits	\$ 8,780,694	<b>\$ 8,331,665</b>	\$ 8,093,631
Contracted and general services	5,933,389	<b>4,842,450</b>	5,740,913
Purchases from other governments	2,734,471	<b>2,476,716</b>	2,267,049
Materials, goods, supplies, and utilities	2,200,866	<b>2,180,782</b>	2,299,051
Transfers to local boards and agencies	336,900	<b>315,055</b>	336,900
Transfers to individuals and organizations	940,692	<b>908,673</b>	1,045,778
Bank charges and short-term interest	17,000	<b>19,314</b>	19,412
Interest on capital long-term debt	488,821	<b>225,003</b>	290,462
Other expenditures	164,882	<b>146,457</b>	72,666
Amortization of tangible capital assets	3,613,198	<b>3,978,561</b>	3,796,955
Net loss on sale of tangible capital assets	-	<b>506,418</b>	112,321
	<b>\$ 25,210,913</b>	<b>\$ 23,931,094</b>	<b>\$ 24,075,138</b>

See notes to financial statements

**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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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 Professional 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.

Included with the municipality is 25 percent of the West Yellowhead Regional Waste Management Authority which is recorded using the proportionate consolidation method.

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.

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**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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

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.

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 and sidewalks are recorded as physical assets under the respective function.

Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue.

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**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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

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.

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.

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**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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

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 net realizable value with cost being determined on an average cost basis.

4. Cultural and Historical Tangible Capital Assets

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

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	10-75 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.

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**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

2. CASH AND TEMPORARY INVESTMENTS

	2017	2016 <i>(Restated)</i>
Cash	\$ 21,831,494	\$ 23,978,529
Temporary investments	200,000	200,000
Investments (WYRWMA)	388,354	378,922
	\$ 22,419,848	\$ 24,557,451

Temporary investments are short-term deposits with original maturities of one year or less. Included in the above balances are \$813,186 (2016 - \$363,153) of funds which are restricted in use for future capital projects and the public reserve trust.

The temporary investments have a fair market value of \$201,772 (2016 - \$202,288). Temporary investments have effective interest rates of 1.4% (2016 - 1.8%) and mature May 12, 2018.

Investments (WYRWMA) consist of the town's 25% share of the investments of the authority which is a demand savings account bearing interest at 1.8% (2016 - 1.4%-1.5%). The carrying value of the investments approximates the fair market value due to the short term nature of the investments.

3. PROPERTY TAXES RECEIVABLE

	2017	2016
Current tax receivable	\$ 436,773	\$ 520,755
Tax arrears	145,426	283,767
Subtotal	582,199	804,522
Allowance for doubtful accounts	(66,242)	(66,242)
	\$ 515,957	\$ 738,280

4. TRADE AND OTHER RECEIVABLES

	2017	2016 <i>(Restated)</i>
Trade accounts receivable	\$ 2,841,346	\$ 3,265,257
GST receivable	379,996	384,486
Accounts receivable WYRWMA	59,185	55,121
Subtotal	3,280,527	3,704,864
Allowance for doubtful accounts	(28,114)	(28,114)
	\$ 3,252,413	\$ 3,676,750

**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

5. OTHER FINANCIAL ASSETS

	2017	2016
Accrued interest	\$ 28,344	\$ 16,911
AMFC shares	30	30
	\$ 28,374	\$ 16,941

6. EMPLOYEE BENEFIT OBLIGATIONS

	2017	2016
Vacation pay accrued	\$ 463,774	\$ 430,033

The vacation and overtime liability is comprised of amounts 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.

7. DEFERRED REVENUE

	2017	2016
Prepaid local improvement charges	\$ 457,005	\$ 498,266
Conditional government grants	632,513	218,801
Unearned revenue	68,958	785
	\$ 1,158,476	\$ 717,852

Prepaid local improvement charges are being amortized to revenue at various rates over the next fifteen 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 2018.

**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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8. 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 788,000 tonnes. The estimated remaining capacity of the landfill site is 601,329 tonnes. The existing landfill site is expected to reach capacity in approximately 2040.

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

	<b>2017</b>	<b>2016</b>
Estimated closure costs	<b>\$ 4,952,588</b>	<b>\$ 4,896,771</b>
Estimated capacity remaining	<b>76.31 %</b>	78.35 %
Portion of total liability remaining to be recognized	<b>\$ 3,779,320</b>	<b>\$ 3,836,620</b>
Estimated capacity used	<b>23.69 %</b>	21.65 %
Estimated dry waste liability	<b>\$ 1,173,268</b>	<b>\$ 1,060,151</b>
Less: Yellowhead County contribution	<b>\$ 1,173,268</b>	<b>\$ 1,060,151</b>
Contingency	<b>(225,451)</b>	<b>(200,368)</b>
	<b>157,734</b>	<b>245,768</b>
	<b>\$ 1,105,551</b>	<b>\$ 1,105,551</b>

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 35% of the closure costs prorated for the years the County has used the landfill.

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**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

9. LONG-TERM DEBT

	2017	2016
Debentures	<b>\$ 14,208,103</b>	\$ 16,946,486
Less: Current portion	<b>(793,258)</b>	(2,738,383)
	<b><u>\$ 13,414,845</u></b>	<u>\$ 14,208,103</u>

Principal and interest payments are due as follows:

	Principal	Interest	Total
2018	\$ 793,258	\$ 497,482	\$ 1,290,740
2019	823,719	467,021	1,290,740
2020	855,444	435,296	1,290,740
2021	866,584	402,326	1,268,910
2022	885,432	369,260	1,254,692
Thereafter	9,983,666	2,306,745	12,290,411
	<b><u>\$ 14,208,103</u></b>	<b><u>\$ 4,478,130</u></b>	<b><u>\$ 18,686,233</u></b>

Debenture debt is repayable to the Alberta Capital Financing Authority and bears interest at rates ranging from 1.661% to 5.875% per annum, and mature in periods 2020 through 2036. Long-term debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$537,339 (2016 - \$290,463). The town capitalized interest carrying costs for a capital project under construction in the amount of \$312,336.

The town's total cash payments for interest in 2017 were \$551,361 (2016 - \$291,188).

10. 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:

	2017	2016
Total debt limit	<b>\$ 40,939,785</b>	\$ 40,509,391
Total debt	<b>(14,208,013)</b>	(16,946,486)
Amount of debt limit unused	<b><u>\$ 26,731,772</u></b>	<u>\$ 23,562,905</u>
Debt servicing limit	<b>\$ 6,823,298</b>	\$ 6,751,565
Debt servicing	<b>(1,290,740)</b>	(3,289,744)
Amount of debt servicing limit unused	<b><u>\$ 5,532,558</u></b>	<u>\$ 3,461,821</u>

*(continues)*

**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

10. 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.

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016 <i>(Restated)</i>
Tangible capital assets (Schedule 1)	<b>\$175,325,390</b>	\$161,773,523
Accumulated amortization (Schedule 1)	<b>(66,678,188)</b>	(63,514,961)
Long-term debt	<b>(14,208,103)</b>	(16,946,486)
	<b>\$ 94,439,099</b>	\$ 81,312,076

12. ACCUMULATED SURPLUS

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

	2017	2016 <i>(Restated)</i>
Unrestricted surplus	<b>\$ 4,433,604</b>	\$ 2,619,322
WYRWMA surplus (deficit)	<b>(72,338)</b>	(97,193)
WYRWMA - restricted surplus	<b>402,361</b>	375,054
Restricted surplus - operating	<b>2,802,685</b>	2,951,375
Restricted surplus - capital	<b>7,409,706</b>	9,567,624
Debenture proceeds retracted for future expenditures	<b>5,796,925</b>	9,608,856
Equity in tangible capital assets	<b>94,439,099</b>	81,312,076
	<b>\$115,212,042</b>	\$106,337,114

**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

**13. 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	2017	2016
Mayor Greg Pasychny	\$ 30,000	\$ -	\$ 30,000	\$ 37,015
Mayor Kevin Zahara	6,000	-	6,000	-
Councilor K. Baier	3,800	-	3,800	-
Councilor T. Bevan	22,800	-	22,800	23,379
Councilor B. Boyce	13,300	-	13,300	23,384
Councilor G. Chouinard	22,800	-	22,800	23,963
Councilor J. Currie	3,800	-	3,800	-
Councilor J. Gomuwka	19,000	-	19,000	23,379
Councilor T. Sorensen	3,800	-	3,800	-
Councilor T. Strang	19,000	-	19,000	22,906
Councilor J. Wilkinson	22,800	-	22,800	23,379
CAO	155,000	53,412	208,412	199,879
Contract Assessor	86,045	-	86,045	80,950

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.

**14. 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 253,862 members and 417 employers as at December 2016. 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 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan, and 15.84% of pensionable earnings above this amount. Employees of the town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Town of Edson to the LAPP were \$624,571 (2016 - \$564,666). Total current service contributions by the employees of the Town of Edson to the LAPP were \$575,063 (2016 - \$520,101).

As at December 31, 2016, the Plan disclosed an actuarial deficiency of \$637 million.

**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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15. TRUST ASSETS

The town is holding funds in trust for community organizations in the amount of \$80,495 (2016 - \$73,884). These amounts are not included in the assets or liabilities of the town.

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16. 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 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 fulfill 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 or credit risk arising from these financial statements.

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17. COMMITMENTS

The town is committed to making annual payments for assessment services ending June 30, 2022.

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 November 2018.

The town has future commitments pertaining to agreements for capital asset projects with the following contractors:

Alpha Construction Inc. - \$4,689,381

Aecom Canada Ltd. - \$207,179

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18. 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.

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**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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19. SUBSEQUENT EVENTS

Subsequent to year end, the Town identified a building with environmental contamination and that building was immediately shut down. The Town has since prepared action plans and obtained estimates for remediation. Council has not approved a course of action to date and as a result the costs to the Town are not determinable. No liability for the remediation has been recorded in these financial statements. Based on estimates provided, the potential costs for remediation could range from \$30,000 to \$50,000 and the estimated maximum cost for remediation and demolition is \$1,500,000.

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**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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20. RESTATEMENT

Previously the Town accounted for its investment in the West Yellowhead Regional Waste Management Authority (WYRWMA) using the equity method. The investment is required to be recorded using proportionate consolidation in accordance with Section 3060 of the Public Sector Accounting Board Handbook. This was adjusted in the current year and prior periods were retroactively restated.

Under Public Sector Accounting Standard, a tangible capital asset should only be recorded when it is controlled by the municipality. As a result, the library and museum buildings were not set up as assets, as those buildings were controlled by other groups. The factors used to assess control were reevaluated and it was determined that the Town owns and controls both the library and museum. The buildings were added to tangible capital assets retroactively.

The 2016 balances have been restated to reflect these changes resulting with the following adjustments:

*(continues)*

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**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

20. RESTATEMENT *(continued)*

	2016 as previously stated	WYRWMA adjustment	TCA adjustment	2016 Restated
<b>Statement of Financial Position</b>				
<b>Financial Assets</b>				
Cash and temporary investments	24,160,726	396,725		24,557,451
Receivables - trade and other	3,621,629	55,121		3,676,750
		451,846		
<b>Liabilities</b>				
Accounts payable	2,987,228	122,083		3,109,311
Other long-term liabilities	349,674	51,902		401,576
		173,985		
<b>Net Financial Assets</b>	7,180,730	277,861		7,458,591
<b>Non-Financial Assets</b>				
Tangible capital assets	93,885,977	980,779	3,391,806	98,258,562
Equity investment in WYRWMA	1,258,639	(1,258,639)		-
		(277,860)	3,391,806	
<b>Accumulated Surplus</b>				
Unrestricted	3,877,961	(1,355,832)		2,522,129
Restricted	22,127,855	375,054		22,502,909
Equity in TCA	76,939,491	980,779	3,391,806	81,312,076
<b>Statement of Operations</b>				
Revenue				
WYRWMA	43,028	350,656		393,684
Expenses				
Utilities	4,081,279	350,656		4,431,935
Culture	689,259		87,226	776,485
Excess of revenues over expenses (operations)	3,369,005	-	(87,226)	3,281,779
Accumulated Surplus - Beginning of year	92,130,111	-	3,479,033	95,609,144
Accumulated Surplus - End of year	102,945,308	-	3,391,806	106,337,114

**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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21. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.

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