

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

TOWN OF EDSON
Consolidated Financial Statements
Year Ended December 31, 2020

TOWN OF EDSON
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Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of council of the Town of Edson

Opinion

We have audited the consolidated financial statements of Town of Edson (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations, changes in accumulated surplus, net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2020, and the consolidated results of its operations, changes in accumulated surplus, net financial assets and cashflows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PSAS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

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Independent Auditor's Report to the Members of Town of Edson (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Mergaert, Barford, Williams
Joly & Starkovich*

Edson, Alberta
September 7, 2021

CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF EDSON
Consolidated Statement of Financial Position
December 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 29,250,174	\$ 24,007,809
Receivables		
Property taxes (Note 3)	844,372	1,011,197
Trade and other receivables (Note 4)	3,384,141	2,889,960
Land held for resale	1,163,108	1,224,895
Inventory held for resale	990	1,286
Other financial assets	18,515	46,304
Other long term assets	300,000	-
	34,961,300	29,181,451
LIABILITIES		
Accounts payable and accrued liabilities	2,473,773	2,635,446
Deposit liabilities	754,838	852,498
Deferred revenue (Note 6)	5,309,537	3,807,510
Provision for landfill closure (Note 7)	1,797,860	1,692,860
Other long-term liabilities	138,240	92,440
Long term debt (Note 8)	12,646,198	12,992,568
	23,120,446	22,073,322
NET FINANCIAL ASSETS	11,840,854	7,108,129
NON-FINANCIAL ASSETS		
Tangible capital assets (schedule 1)	112,688,043	112,828,124
Prepaid expenses	199,684	221,617
Inventory for consumption	543,239	630,160
	113,430,966	113,679,901
ACCUMULATED SURPLUS (Note 11)	\$125,271,820	\$120,788,030
COMMITMENTS AND CONTINGENCIES (Notes 18, 17)		

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Operations
Year Ended December 31, 2020

	Budget (Unaudited)	2020	2019
REVENUE			
Net municipal taxes <i>(Schedule 2)</i>	\$ 11,154,855	\$ 11,327,900	\$ 11,707,048
Government operating transfers <i>(Schedule 3)</i>	6,358,433	7,327,787	6,978,296
User fees and sales of goods	5,334,524	4,706,017	4,376,828
Investment income	278,000	172,824	404,094
Penalties and costs on taxes	169,350	154,132	190,272
Licenses and permits	75,000	79,559	80,192
Fines	783,000	1,027,427	556,717
Franchise fees	893,330	897,605	889,373
Rentals	614,800	531,748	727,164
Development levies	-	13,574	8,127
Contributions - operating	100,000	100,000	100,000
Other	35,025	318,500	53,278
Gain on sale of tangible capital assets	-	-	33,927
West Yellowhead Regional Waste Management Authority	-	537,301	510,457
	<u>25,796,317</u>	<u>27,194,374</u>	<u>26,615,773</u>
EXPENSES			
Legislative	323,190	255,049	296,066
General administration	2,319,300	2,284,222	2,381,686
Protective services	4,742,868	4,867,195	4,134,455
Roads, streets, and equipment	5,442,062	5,240,532	6,483,109
Utilities	4,936,753	6,218,473	6,482,343
Public health and welfare	692,225	719,717	739,295
Planning and development	388,995	455,554	360,255
Recreation and parks	3,477,941	3,646,489	4,740,345
Culture	763,762	692,654	705,356
	<u>23,087,096</u>	<u>24,379,885</u>	<u>26,322,910</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES FROM OPERATIONS	<u>2,709,221</u>	<u>2,814,489</u>	<u>292,863</u>
OTHER INCOME			
Government capital transfers <i>(Schedule 3)</i>	4,190,994	857,090	753,470
Contributed capital assets	-	812,211	-
	<u>4,190,994</u>	<u>1,669,301</u>	<u>753,470</u>
EXCESS OF REVENUE OVER EXPENSES	6,900,215	4,483,790	1,046,333
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>120,788,030</u>	<u>120,788,030</u>	<u>119,741,697</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 127,688,245</u>	<u>\$ 125,271,820</u>	<u>\$ 120,788,030</u>

See notes to financial statements

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

TOWN OF EDSON
Consolidated Statement of Changes in Accumulated Surplus
Year Ended December 31, 2020

	Unrestricted Surplus	Restricted Surplus	Equity in TCA	2020	2019
BALANCE - BEGINNING OF PERIOD	\$ 68,919	\$ 20,883,555	\$ 99,835,556	\$120,788,030	\$119,741,697
Excess of revenue over expenses	4,483,790	-	-	4,483,790	1,046,333
Unrestricted funds designated for future use	(8,416,068)	8,416,068	-	-	-
Restricted funds used for operations	2,226,279	(2,226,279)	-	-	-
Restricted funds used for tangible capital assets	-	(2,012,667)	2,012,667	-	-
Current year funds used for tangible capital assets	(1,172,423)	-	1,172,423	-	-
Contributed tangible capital assets	(812,211)	-	812,211	-	-
Disposal of tangible capital assets	121,570	-	(121,570)	-	-
Annual amortization expense	4,015,812	-	(4,015,812)	-	-
Long term debt repaid	(1,051,965)	-	1,051,965	-	-
Proceeds from long term debt	705,595	-	(705,595)	-	-
BALANCE - END OF PERIOD	\$ 169,298	\$ 25,060,677	\$100,041,845	\$125,271,820	\$120,788,030

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Change in Net Financial Assets (Debt)
Year Ended December 31, 2020

	Budget	2020	2019
EXCESS OF REVENUE OVER EXPENSES	\$ 6,900,215	\$ 4,483,790	\$ 1,046,333
Loss on disposal of tangible capital assets	-	7,831	402,033
Gain on disposal of tangible capital assets	-	-	(33,927)
Acquisition of tangible capital assets	(12,450,339)	(3,997,301)	(2,828,322)
Tangible capital assets transferred to land for resale	-	113,736	-
Proceeds on disposal of tangible capital assets	-	-	53,760
Amortization of tangible capital assets	3,885,850	4,015,812	4,038,958
	(8,564,489)	140,078	1,632,502
Change in supplies inventory	-	86,924	(48,387)
Change in prepaid assets	-	21,933	(149,082)
	-	108,857	(197,469)
INCREASE IN NET DEBT	(1,664,274)	4,732,725	2,481,366
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	7,108,129	7,108,129	4,626,763
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ 5,443,855	\$ 11,840,854	\$ 7,108,129

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Cash Flows
Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 4,483,790	\$ 1,046,333
Items not affecting cash:		
Amortization of tangible capital assets	4,015,812	4,038,958
Loss on disposal of tangible capital assets	7,831	402,033
Gain on sale of tangible capital assets	-	(33,927)
	<u>8,507,433</u>	<u>5,453,397</u>
Changes in non-cash working capital:		
Property taxes receivable	166,825	(288,409)
Trade and other receivables	(494,181)	420,330
Land held for resale	61,787	6,072
Inventory held for resale	296	355
Inventory for consumption	86,921	(48,388)
Prepaid expenses	21,933	(149,082)
Other financial assets	27,789	4,168
Other long term assets	(300,000)	-
Accounts payable and accrued liabilities	(161,672)	(2,264,660)
Deposit liabilities	(97,660)	(17,321)
Deferred revenue	1,502,027	1,326,257
Provision for landfill closure	105,000	346,309
Other long-term liabilities	45,800	(53,033)
	<u>964,865</u>	<u>(717,402)</u>
Cash flow from operating activities	<u>9,472,298</u>	<u>4,735,995</u>
CAPITAL ACTIVITIES		
Proceeds from long term debt	705,597	-
Repayment of long term debt	(1,051,965)	(928,197)
Purchase of tangible capital assets	(3,997,301)	(2,828,322)
Proceeds on disposal of tangible capital assets	-	53,760
Transfer of tangible capital assets to land held for resale	113,736	-
	<u>(4,229,933)</u>	<u>(3,702,759)</u>
Cash flow used by capital activities	<u>(4,229,933)</u>	<u>(3,702,759)</u>
INCREASE IN CASH FLOW	5,242,365	1,033,236
Cash - beginning of year	<u>24,007,809</u>	<u>22,974,573</u>
CASH - END OF YEAR (Note 2)	\$ 29,250,174	\$ 24,007,809

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Tangible Capital Assets *(Schedule 1)*
Year Ended December 31, 2020

	Land	Leasehold Improvements	Buildings	Engineered Structures	Machinery & equipment	Vehicles	2020	2019
COST								
BALANCE, BEGINNING OF YEAR	\$ 9,873,615	\$ 18,307,338	\$ 17,891,749	\$ 122,392,828	\$ 14,176,483	\$ 3,180,861	\$185,822,874	\$184,406,731
Acquisition of tangible capital assets	175,527	1,046,256	-	1,037,686	718,351	72,358	3,050,178	1,931,674
Construction in progress	-	653,907	155,842	137,374	-	-	947,123	896,648
Disposal of tangible capital assets	-	-	-	(127,054)	-	(44,167)	(171,221)	(1,412,179)
Transfer of capital assets to land held for resale	(113,739)	-	-	-	-	-	(113,739)	-
BALANCE, END OF YEAR	\$ 9,935,403	\$ 20,007,501	\$ 18,047,591	\$ 123,440,834	\$ 14,894,834	\$ 3,209,052	\$189,535,215	\$185,822,874
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	\$ -	\$ 8,247,117	\$ 7,111,065	\$ 50,450,074	\$ 5,271,974	\$ 1,914,520	\$ 72,994,750	\$ 69,946,104
Annual amortization	-	677,426	396,466	1,875,198	905,594	161,128	4,015,812	4,038,958
Accumulated amortization on disposals	-	-	-	(119,223)	-	(44,167)	(163,390)	(990,312)
BALANCE, END OF YEAR	\$ -	\$ 8,924,543	\$ 7,507,531	\$ 52,206,049	\$ 6,177,568	\$ 2,031,481	\$ 76,847,172	\$ 72,994,750
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 9,935,403	\$ 11,082,958	\$ 10,540,060	\$ 71,234,785	\$ 8,717,266	\$ 1,177,571	\$112,688,043	\$112,828,124
2019 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 9,873,615	\$ 10,060,221	\$ 10,780,684	\$ 71,942,754	\$ 8,904,509	\$ 1,266,341		\$112,828,124

See notes to financial statements

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

TOWN OF EDSON
Consolidated Schedule of Property and Other Taxes *(Schedule 2)*
Year Ended December 31, 2020

	Budget (Unaudited)	2020	2019
TAXATION			
Real property taxes	\$ 14,330,042	\$ 14,501,640	\$ 14,874,967
Linear property taxes	401,393	401,663	429,369
Government grants in place of property taxes	195,271	195,271	160,544
Special assessments and local improvement taxes	615,287	615,262	615,225
	<u>15,541,993</u>	<u>15,713,836</u>	<u>16,080,105</u>
REQUISITIONS			
ASFF School Foundation Requisition	3,388,284	3,387,257	3,359,526
Living Waters Catholic Schools Requisition	413,883	413,778	431,622
Evergreens Seniors Foundation	579,428	579,428	576,325
Designated Industrial Property	5,543	5,473	5,584
	<u>4,387,138</u>	<u>4,385,936</u>	<u>4,373,057</u>
NET MUNICIPAL TAXES	<u>\$ 11,154,855</u>	<u>\$ 11,327,900</u>	<u>\$ 11,707,048</u>

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Government Transfers **(Schedule 3)**
Year Ended December 31, 2020

	Budget (Unaudited)	2020	2019
TRANSFERS FOR OPERATING			
Federal government transfers	\$ 5,000	\$ 30,713	\$ 14,100
Provincial government transfers	819,995	1,684,288	930,348
Local government transfers	5,533,438	5,612,786	6,033,848
	6,358,433	7,327,787	6,978,296
TRANSFERS FOR CAPITAL			
Provincial government transfers	1,485,021	772,918	643,111
Local government transfers	2,705,973	84,172	110,359
	4,190,994	857,090	753,470
TOTAL GOVERNMENT TRANSFERS	\$ 10,549,427	\$ 8,184,877	\$ 7,731,766

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Expenses by Object **(Schedule 4)**
Year Ended December 31, 2020

	Budget (Unaudited)	2020	2019
EXPENSES			
Salaries, wages and benefits	\$ 8,012,840	\$ 8,047,581	\$ 8,972,667
Contracted and general services	3,916,435	5,176,521	5,741,035
Purchases from other governments	2,589,975	2,436,946	2,517,295
Materials, goods, supplies, and utilities	2,271,098	2,590,137	2,704,441
Transfers to local boards and agencies	274,000	274,000	305,000
Transfers to individuals and organizations	898,303	767,955	915,722
Bank charges and short-term interest	25,000	26,176	24,482
Interest on capital long-term debt	430,030	452,837	485,914
Other expenditures	783,565	584,089	215,363
Amortization of tangible capital assets	3,885,850	4,015,812	4,038,958
Net loss on sale of tangible capital assets	-	7,831	402,033
	<u>\$ 23,087,096</u>	<u>\$ 24,379,885</u>	<u>\$ 26,322,910</u>

See notes to financial statements

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

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 polices 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 twenty five 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.

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TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

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

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.

Significant estimates in these financial statements include:

- providing for amortization of property, plant and equipment
- certain assumptions used in determining the provision for landfill closure and post closure costs

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.

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TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

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

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on an average cost basis.

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.

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, 2020

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 recorded 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.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

2. CASH AND TEMPORARY INVESTMENTS

	2020	2019
Cash	\$ 28,635,022	\$ 23,398,117
Temporary investments	200,000	200,000
Investment (WYRWMA)	415,152	409,692
	\$ 29,250,174	\$ 24,007,809

Temporary investments are short-term deposits with original maturities of one year or less. Included in the above balances are \$4,951,489 (2019 - \$3,446,688) of funds which are restricted in use for future capital projects (note 6) and the public reserve trust.

The temporary investments have a fair market value of \$201,318 (2019 - \$202,774). Temporary investments have effective interest rates of 2.12% (2019 - 2.35%) and mature June 3, 2021.

Investment (WYRWMA) consist of the town's 25% share of the investment of the authority which is a demand savings account bearing interest at rates from 1% to 2.5% (2019 - 2.5%) and requires 90 days notice prior to withdrawal. The carrying value of the investments approximates the fair market value due to the short term nature of the investments.

3. PROPERTY TAXES RECEIVABLE

	2020	2019
Current tax receivable	\$ 703,981	\$ 710,964
Tax arrears	206,633	366,475
Subtotal	910,614	1,077,439
Allowance for doubtful accounts	(66,242)	(66,242)
	\$ 844,372	\$ 1,011,197

4. TRADE AND OTHER RECEIVABLES

	2020	2019
Trade accounts receivable	\$ 3,110,100	\$ 2,643,747
GST receivable	161,556	141,726
Accounts receivable WYRWMA	140,599	132,601
Subtotal	3,412,255	2,918,074
Allowance for doubtful accounts	(28,114)	(28,114)
	\$ 3,384,141	\$ 2,889,960

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

5. EMPLOYEE BENEFIT OBLIGATIONS

	2020	2019
Vacation pay accrued	\$ 238,676	\$ 477,034

The vacation 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.

6. DEFERRED REVENUE

	2020	2019
Prepaid local improvement charges	\$ 289,701	\$ 346,039
Other conditional government grants	31,763	98,633
MSI Grant - capital	2,840,179	2,816,356
Federal Gas Tax Fund	1,067,441	-
BMTG grant	511,881	507,542
MSP grant	500,225	-
Unearned revenue	68,347	38,940
	\$ 5,309,537	\$ 3,807,510

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 2021-2023. These unexpended funds are supported by restricted cash balances.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

7. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The estimated total liability is based on the sum of the discounted future cash flows for closure and post-closure activities for 25 years after closure using an interest rate of 2% and assuming annual inflation of 3%.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The current landfill site consists of an actively used cell for dry waste disposal and land available for potential future expansion. The expansion of the existing site has an estimated remaining capacity of 283,080 tonnes and is expected to reach capacity in 2036.

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

	2020	2019
Estimated closure costs	\$ 2,104,300	\$ 2,040,500
Estimated post-closure costs	2,981,000	2,981,000
	<u>\$ 5,085,300</u>	<u>\$ 5,021,500</u>
Estimated capacity remaining	50.49 %	49.73 %
Portion of the closure and post closure liability remaining to be recognized	<u>\$ 2,567,568</u>	<u>\$ 2,497,192</u>
Estimated capacity used	49.51 %	50.27 %
Estimated closure and post closure liability	<u>\$ 2,517,732</u>	<u>\$ 2,524,308</u>
Estimated closure and post closure liability	\$ 2,517,732	\$ 2,524,308
Less: Yellowhead County contribution	(515,422)	(500,099)
Closure costs incurred to date	(331,536)	(331,536)
Other	127,086	187
	<u>\$ 1,797,860</u>	<u>\$ 1,692,860</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 35% of the closure costs prorated for the years the County has used the landfill.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

8. LONG-TERM DEBT

	2020	2019
Debentures	\$ 11,735,682	\$ 12,591,126
Capital leases	910,516	401,442
Subtotal	12,646,198	12,992,568
Less: Current portion	(1,060,345)	(966,101)
	\$ 11,585,853	\$ 12,026,467

Principal and interest payments are due as follows:

	Principal	Interest	Total
2021	\$ 1,060,345	\$ 442,737	\$ 1,503,082
2022	1,089,170	399,666	1,488,836
2023	1,007,866	356,196	1,364,062
2024	839,869	317,682	1,157,551
2025	869,129	285,547	1,154,676
Thereafter	7,779,819	1,409,552	9,189,371
	\$ 12,646,198	\$ 3,211,380	\$ 15,857,578

Debenture debt is repayable to the Alberta Capital Financing Authority and bears interest at rates ranging from 2.229% to 5.875% per annum, and mature in periods 2021 through 2036. Long-term debt is issued on the credit and security of the Town at large.

Capital leases are repayable in blended monthly instalments of \$19,512, bear interest at rates ranging from 4.769% to 5.19% and mature in periods 2023 through 2028.

Interest on long-term debt amounted to \$453,682 (2019 - \$485,914).

The town's total cash payments for interest in 2020 were \$458,103 (2019 - \$490,943).

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

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:

	<u>2020</u>	<u>2019</u>
Total debt limit	\$ 40,791,561	\$ 39,983,628
Total debt	<u>(12,646,198)</u>	<u>(12,992,568)</u>
Amount of debt limit unused	<u>\$ 28,145,363</u>	<u>\$ 26,991,060</u>
Debt servicing limit	\$ 6,798,594	\$ 6,663,938
Debt servicing	<u>(1,503,082)</u>	<u>(1,419,140)</u>
Amount of debt servicing limit unused	<u>\$ 5,295,512</u>	<u>\$ 5,244,798</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulations 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2020</u>	<u>2019</u>
Tangible capital assets (Schedule 1)	\$189,535,215	\$185,822,874
Accumulated amortization (Schedule 1)	<u>(76,847,172)</u>	<u>(72,994,750)</u>
Long-term debt (Note 9)	<u>(12,646,198)</u>	<u>(12,992,568)</u>
	<u>\$100,041,845</u>	<u>\$ 99,835,556</u>

11. ACCUMULATED SURPLUS

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

	<u>2020</u>	<u>2019</u>
Unrestricted surplus	\$ 169,298	\$ 244,990
WYRWMA surplus (deficit)	-	(176,071)
WYRWMA - restricted surplus	693,198	660,168
Restricted surplus - operating	4,117,079	3,095,691
Restricted surplus - capital	20,250,400	17,127,696
Equity in tangible capital assets	<u>100,041,845</u>	<u>99,835,556</u>
	<u>\$125,271,820</u>	<u>\$120,788,030</u>

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

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	2020	2019
Mayor K. Zahara	\$ 42,770	\$ -	\$ 42,770	\$ 40,200
Councilor K. Baier	25,600	-	25,600	24,600
Councilor T. Bevan	25,600	-	25,600	24,600
Councilor G. Chouinard	25,600	-	25,600	24,600
Councilor J. Currie	25,600	-	25,600	24,600
Councilor T. Sorensen	25,600	-	25,600	24,600
Councilor J. Wilkinson	25,600	-	25,600	24,600
CAO	204,850	27,953	232,803	218,389

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 274,151 members and 420 employers as at December 2019. 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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan, and 13.84% of pensionable earnings above this amount.

Total current service contributions by the Town of Edson to the LAPP were \$574,233 (2019 - \$552,232). Total current service contributions by the employees of the Town of Edson to the LAPP were \$522,152 (2019 - \$499,461).

As at December 31, 2019, the Plan disclosed an actuarial surplus of \$7.9 billion.

14. TRUST ASSETS

The town is holding funds in trust for community organizations in the amount of \$44,960 (2019 - \$40,200). These amounts are not included in the assets or liabilities of the town.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

15. 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 from 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.

16. LEASE COMMITMENTS

The municipality has a number of long term operating leases for equipment. Future minimum lease payments as at year end are as follows:

2021	\$ 107,457
2022	107,457
2023	57,340
2024	<u>29,340</u>
	<u>\$ 301,594</u>

17. COMMITMENTS

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

The town is 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 2021.

The town has entered an agreement for waste collection ending August 31, 2023.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

18. CONTINGENT LIABILITY

The Town of Edson is a member of 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 lagoons owned by the town will be subject to reclamation once a plan is developed and approved by the province. The extent and cost of such reclamation is unknown at this date and is expected to occur in 2021.

19. COVID-19

The COVID-19 pandemic has had a significant economic impact locally, provincially and globally. At the time of these financial statements, there is uncertainty over future cashflows that may have a significant effect on future operations. An estimate of the financial effect is not practicle at this time.

20. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
