

TOWN OF EDSON

Financial Statements

For the Year Ended December 31, 2006

Audit Report

Management Report

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Mergaert, Rathgeber & Barford

Chartered Accountants

AUDITORS' REPORT

The Mayor and Council of the Town of Edson

We have audited the consolidated statement of financial position of the Town of Edson as at December 31, 2006, and the consolidated statement of financial activities with change in fund balances, the consolidated statement of changes in financial position and the schedules supporting these statements for the year then ended. These financial statements are the responsibility of the municipal administration. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by administration, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Town of Edson as at December 31, 2006, and the results of its financial activities and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Edson, Alberta
March 30, 2007

Chartered Accountants

MANAGEMENT REPORT

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

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

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

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

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

Joan Parker, CLGM
Director of Finance and Administration
March 30, 2007

Town of Edson
Consolidated Statement of Financial Position
As at December 31, 2006

	2006	2005
	\$	\$
ASSETS		
Financial Assets		
Cash and temporary investments (Note 2)	2,603,047	4,125,679
Receivables		
Taxes and grants in place of taxes (Note 3)	846,602	751,449
Trade and other receivables	2,498,108	2,880,829
Other long term assets	152,584	164,989
Land held for resale	1,359,432	1,277,569
Other inventory held for resale	13,533	11,005
Investments (Note 4)	5,584,400	2,000,030
Prepaid expenses	18,090	35,992
Other financial assets (Note 5)	51,873	41,611
	<u>13,127,669</u>	<u>11,289,153</u>
Physical Assets		
Inventory for consumption	155,118	127,444
Capital assets (Note 6)	79,897,631	75,092,561
	<u>80,052,749</u>	<u>75,220,005</u>
Total Assets	<u>93,180,418</u>	<u>86,509,158</u>
LIABILITIES AND MUNICIPAL EQUITY		
Liabilities		
Accounts payable and accrued liabilities	2,527,567	1,937,158
Deposit liabilities	931,664	476,884
Deferred revenue (Note 7)	2,117,741	1,293,919
Provision for landfill closure and post-closure costs (Note 8)	358,512	277,250
Long term debt (Note 10)	6,752,965	7,075,530
Other liabilities	131,523	112,052
	<u>12,819,972</u>	<u>11,172,793</u>
Municipal Equity		
Fund Balances		
Operating fund (Schedule 1)	1,049,915	1,047,240
Capital fund (Schedule 2)	(134,057)	998,986
Reserve fund (Schedule 3)	6,299,922	5,273,108
Total Fund Balances	7,215,780	7,319,334
Equity in capital assets (Schedule 4) (Note 15)	73,144,666	68,017,031
	<u>73,144,666</u>	<u>68,017,031</u>
Total Liabilities and Municipal Equity	<u>93,180,418</u>	<u>86,509,158</u>

Contingencies - See Note 18

Town of Edson
Consolidated Statement of Financial Activities and Change in Fund Balances
For the Year Ended December 31, 2006

	Budget	2006	2005
	\$	\$	\$
Revenues			
Net municipal taxes (Schedule 5)	6,099,677	6,102,165	5,325,554
User fees and sale of goods	3,270,537	5,094,584	3,652,769
Government transfers (Schedule 6)	9,733,015	3,185,777	3,711,934
Investment income	181,000	283,598	155,873
Development levies	343,350	463,496	1,049,509
Penalties and costs of taxes	48,000	60,078	47,566
Franchise and concession contracts	304,000	464,126	308,978
Rentals	304,938	315,412	345,678
Proceeds from disposal of capital assets	40,000	2,472	28,008
Other	299,600	556,080	1,180,818
	<u>20,624,117</u>	<u>16,527,788</u>	<u>15,806,687</u>
Expenditures			
Operating			
Legislative	183,975	144,617	166,708
Administration	1,260,016	1,204,571	1,105,714
Protective Services	2,145,691	2,197,574	1,751,903
Roads, street, walks, lighting	1,428,403	1,487,164	1,394,497
Water and Wastewater	987,524	1,037,496	973,970
Waste Management	597,762	782,891	594,148
Subdivision and land development	280,274	225,170	177,359
Recreation and parks	3,067,189	2,756,468	2,041,236
Other	1,811,999	1,588,706	1,426,235
	<u>11,762,833</u>	<u>11,424,657</u>	<u>9,631,770</u>
Capital			
Administration	96,500	191,151	29,148
Transportation	4,868,425	3,181,893	4,197,115
Airport	140,000	115,349	31,455
Water and Wastewater	8,360,000	224,053	2,243,439
Waste Management	675,000	128,758	254,331
Other	1,286,000	1,042,916	885,379
	<u>15,425,925</u>	<u>4,884,120</u>	<u>7,640,867</u>
Total Expenditures	<u>15,425,925</u>	<u>4,884,120</u>	<u>7,640,867</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(6,564,641)	219,011	(1,465,950)
Capital debt issued	4,529,600	715,000	4,134,498
Capital debt repaid	(974,190)	(1,037,565)	(1,371,327)
CHANGE IN FUND BALANCES	(3,009,231)	(103,554)	1,297,221
FUND BALANCES AT BEGINNING OF YEAR	<u>7,319,334</u>	<u>7,319,334</u>	<u>6,022,113</u>
FUND BALANCES AT END OF YEAR	<u><u>4,310,103</u></u>	<u><u>7,215,780</u></u>	<u><u>7,319,334</u></u>

Town of Edson
Consolidated Statement of Changes in Financial Position
For the Year Ended December 31, 2006

	2006 \$	2005 \$
CASH PROVIDED BY (USED IN):		
Operating Activities		
Excess (deficiency) of revenues over expenditures	219,011	(1,465,950)
Net change in non-cash operating working capital balances:		
Decrease (increase) in taxes and grants in place receivable	(95,153)	207,044
Decrease (increase) in trades and other receivables	382,721	(1,164,871)
Decrease (increase) in land held for sale	(81,863)	(569,209)
Decrease (increase) in inventory for consumption	(27,674)	33,910
Decrease (increase) in prepaid expenses	17,902	(4,332)
Increase (decrease) in accounts payable and accrued liabilities	525,461	591,809
Increase (decrease) in deposit liabilities	454,780	63,698
Increase (decrease) in deferred revenue	823,822	77,370
Increase (decrease) in employee benefit obligations	64,948	(20,290)
Increase (decrease) in other working capital	19,471	(177,015)
Increase (decrease) in provision for landfill closure and post-closure costs	81,262	73,250
Decrease (increase) in other financial assets	(385)	(110,461)
Net cash from operations	<u>2,165,292</u>	<u>(999,097)</u>
Investing Activities		
Decrease (increase) in restricted cash & temporary investments	24,597	(1,295,350)
Decrease (increase) in investments	<u>(3,584,370)</u>	<u>(2,000,000)</u>
	<u>(3,559,773)</u>	<u>(3,295,350)</u>
Financing Activities		
Long-term debt issued	715,000	4,134,498
Long-term debt repaid	<u>(1,037,565)</u>	<u>(1,371,327)</u>
	<u>(322,565)</u>	<u>2,763,171</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(1,498,035)	(2,997,226)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,555,973</u>	<u>4,553,199</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>57,938</u></u>	<u><u>1,555,973</u></u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	2,603,047	4,125,679
Less: restricted portion of cash and temporary investments (Note 2)	<u>(2,545,109)</u>	<u>(2,569,706)</u>
	<u><u>57,938</u></u>	<u><u>1,555,973</u></u>

Town of Edson
Schedule of Operating Fund Financial Activities and Change in Fund Balance
For the Year Ended December 31, 2006
Schedule 1

	Budget	2006	2005
	\$	\$	\$
REVENUE			
Net municipal property taxes (Schedule 5)	6,099,677	6,102,165	5,325,554
User fees and sales of goods	3,270,537	5,094,584	3,652,769
Government transfers	1,853,655	2,042,928	1,337,046
Investment income	180,000	277,705	146,750
Penalties and costs of taxes	48,000	60,078	47,566
Franchise and concession contracts	304,000	464,126	308,978
Rentals	304,938	315,412	345,678
Other	299,600	426,080	1,180,818
Total Revenue	12,360,407	14,783,078	12,345,159
EXPENDITURE			
Legislative	183,975	144,617	166,708
Administration	1,260,016	1,204,571	1,105,714
Protective Services	2,145,691	2,197,574	1,751,903
Common Services	810,154	665,030	666,666
Roads, streets, walks, lighting	1,428,403	1,487,164	1,394,497
Water	642,643	715,286	689,930
Wastewater	344,881	322,210	284,040
Waste Management	597,762	782,891	594,148
FCSS	229,426	243,145	225,555
Subdivision and land development	280,274	225,170	177,359
Recreation and parks	3,067,189	2,756,468	2,041,236
Culture	187,605	186,604	159,126
Other	584,814	493,927	374,888
Total Expenditure	11,762,833	11,424,657	9,631,770
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	597,574	3,358,421	2,713,389
NET INTER-FUND TRANSFERS			
Transfers to capital fund (Schedule 2)	(1,057,171)	(1,170,204)	(1,284,032)
Transfers from (to) reserve fund (Schedule 3)	1,433,787	(1,147,977)	(57,433)
Capital debt repaid (Schedule 4)	(974,190)	(1,037,565)	(1,371,327)
CHANGE IN OPERATING FUND BALANCE	-	2,675	597
FUND BALANCE AT BEGINNING OF YEAR	1,047,240	1,047,240	1,046,643
FUND BALANCE AT END OF YEAR (Note 12)	1,047,240	1,049,915	1,047,240

Town of Edson
Schedule of Capital Fund Financial Activities and Change in Fund Balance
For the Year Ended December 31, 2006
Schedule 2

	Budget \$	2006 \$	2005 \$
REVENUE			
Government transfers	7,879,360	1,142,849	2,374,888
Investment income	1,000	5,893	9,123
Development levies	343,350	463,496	1,049,509
Donations	-	130,000	-
Proceeds from disposal of capital assets	40,000	2,472	28,008
Total Revenue	<u>8,263,710</u>	<u>1,744,710</u>	<u>3,461,528</u>
EXPENDITURES			
Administration	96,500	191,151	29,148
Transportation	4,868,425	3,181,893	4,197,115
Airport	140,000	115,349	31,455
Water and Wastewater	8,360,000	224,053	2,243,439
Waste Management	675,000	128,758	254,331
Other	1,286,000	1,042,916	885,379
Total Expenditures	<u>15,425,925</u>	<u>4,884,120</u>	<u>7,640,867</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(7,162,215)	(3,139,410)	(4,179,339)
CAPITAL FINANCING AND NET INTER-FUND TRANSFERS			
Transfers from operating fund (Schedule 1)	1,057,171	1,170,204	1,284,032
Transfers from (to) reserve fund (Schedule 3)	576,458	121,163	(246,700)
Capital debt issued (Schedule 4)	4,529,600	715,000	4,134,498
	6,163,229	2,006,367	5,171,830
CHANGE IN CAPITAL FUND BALANCE	(998,986)	(1,133,043)	992,491
FUND BALANCE AT BEGINNING OF YEAR	<u>998,986</u>	<u>998,986</u>	<u>6,495</u>
FUND BALANCE AT END OF YEAR (Note 13)	<u><u>-</u></u>	<u><u>(134,057)</u></u>	<u><u>998,986</u></u>

Town of Edson
Schedule of Reserve Fund Financial Activities and Change in Fund Balance
For the Year Ended December 31, 2006
Schedule 3

	Budget	2006	2005
	<u>\$</u>	<u>\$</u>	<u>\$</u>
NET INTER-FUND TRANSFERS			
Transfer from operating fund	389,907	1,965,357	1,660,896
Transfer to operating fund	<u>(1,823,694)</u>	<u>(817,380)</u>	<u>(1,603,463)</u>
Net transfer (to) from operating fund	<u>(1,433,787)</u>	<u>1,147,977</u>	<u>57,433</u>
Transfer from capital fund	896,000	1,060,149	1,753,957
Transfer to capital fund	<u>(1,472,458)</u>	<u>(1,181,312)</u>	<u>(1,507,257)</u>
Net transfer (to) from capital fund	<u>(576,458)</u>	<u>(121,163)</u>	<u>246,700</u>
CHANGE IN RESERVE FUND BALANCE	(2,010,245)	1,026,814	304,133
FUND BALANCE AT BEGINNING OF YEAR	<u>5,273,108</u>	<u>5,273,108</u>	<u>4,968,975</u>
FUND BALANCE AT END OF YEAR (Note 14)	<u>\$ 3,262,863</u>	<u>\$ 6,299,922</u>	<u>\$ 5,273,108</u>

Town of Edson
Schedule of Equity in Capital Assets
For the Year Ended December 31, 2006
Schedule 4

	Budget	2006	2005
	\$	\$	\$
ACQUISITION OF CAPITAL ASSETS			
Administration	96,500	191,151	29,148
Fire Department	610,000	544,078	-
Common Services	506,000	423,876	195,899
Roads, streets, walks, lighting	4,868,425	3,181,893	4,197,115
Airport	140,000	115,349	31,455
Storm Sewers & Drainage	100,000	59,961	680,304
Water supply and distribution	8,160,000	206,928	1,591,235
Wastewater	200,000	17,125	652,204
Waste Management	675,000	128,758	254,331
Cemetery	-	-	9,176
Planning	70,000	-	-
Recreation	-	15,001	-
	<u>15,425,925</u>	<u>4,884,120</u>	<u>7,640,867</u>
DISPOSAL OF CAPITAL ASSETS (COST)			
Administration	-	(69,550)	-
Common Services	(40,000)	(9,500)	(93,442)
Roads, streets, walks, lighting	-	-	(94,793)
	<u>(40,000)</u>	<u>(79,050)</u>	<u>(188,235)</u>
CAPITAL FINANCING			
Capital debt issued (Schedule 2)	(4,529,600)	(715,000)	(4,134,498)
Capital debt repaid from operating fund (Schedule 1)	974,190	1,037,565	1,371,327
Capital debt repaid from other sources	-	-	-
DEBT CHARGES RECOVERABLE			
Debt charges applied	-	-	-
CHANGE IN EQUITY BALANCE	11,830,515	5,127,635	4,689,461
EQUITY BALANCE AT BEGINNING OF YEAR	<u>68,017,031</u>	<u>68,017,031</u>	<u>63,327,570</u>
EQUITY OF BALANCE AT END OF YEAR (Note 15)	<u>79,847,546</u>	<u>73,144,666</u>	<u>68,017,031</u>

Town of Edson
Schedule of Property and Other Taxes
For the Year Ended December 31, 2006
Schedule 5

	Budget	2006	2005
	\$	\$	\$
TAXATION			
Real property taxes	7,576,344	7,448,233	6,930,106
Linear property taxes	521,276	520,920	506,765
Government grants in lieu of property taxes	210,726	210,726	193,393
Special assessment and local improvement tax	342,720	343,675	224,953
	<u>8,651,066</u>	<u>8,523,554</u>	<u>7,855,217</u>
REQUISITIONS			
Alberta School Foundation Fund	2,089,278	2,087,968	2,095,597
Living Waters Separate School District	286,782	288,092	287,814
Evergreens Seniors Foundation	175,329	45,329	146,252
	<u>2,551,389</u>	<u>2,421,389</u>	<u>2,529,663</u>
NET MUNICIPAL TAXES	<u><u>6,099,677</u></u>	<u><u>6,102,165</u></u>	<u><u>5,325,554</u></u>

Town of Edson
Schedule of Government Transfers
For the Year Ended December 31, 2006
Schedule 6

	Budget	2006	2005
	\$	\$	\$
FEDERAL TRANSFERS			
Shared-cost agreements and grants	<u>2,500,500</u>	<u>840</u>	<u>144,528</u>
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	6,092,699	2,126,762	2,891,710
Debt interest rebates	-	-	2,839
	<u>6,092,699</u>	<u>2,126,762</u>	<u>2,894,549</u>
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements and grants	<u>1,139,816</u>	<u>1,058,175</u>	<u>672,857</u>
	<u>9,733,015</u>	<u>3,185,777</u>	<u>3,711,934</u>

Town of Edson
Schedule of Consolidated Expenditures by Object
For the Year Ended December 31, 2006
Schedule 7

	Budget	2006	2005
	\$	\$	\$
CONSOLIDATED EXPENDITURES BY OBJECT			
Salaries, wages, benefits	3,982,521	4,022,117	3,623,340
Contracted and general services	3,527,998	3,450,039	2,292,884
Materials, goods and utilities	1,768,196	1,708,647	1,792,627
Transfers to local boards and agencies	140,000	140,000	115,000
Bank charges and short term interest	2,500	2,317	2,333
Interest on long term debt	303,985	294,237	226,400
Capital assets acquired	15,425,925	4,884,120	7,640,867
Purchases from other governments	1,200,361	1,091,118	905,867
Grants to Organizations	653,616	605,914	563,586
Other expenditures	183,656	110,268	109,733
	<u>27,188,758</u>	<u>16,308,777</u>	<u>17,272,637</u>

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2006

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) *Reporting Entity*

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, and changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all the organizations that are owned or controlled by the town and are, therefore, accountable to the Town Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties.

Interdepartmental and organizational transactions and balances are eliminated.

b) *Basis of Accounting*

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

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made.

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

c) *Use of Estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

d) *Fund Accounting*

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

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2006

e) *Investments*

Investments are recorded at cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

f) *Debt Charges Recoverable*

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long term debt, less actuarial requirements for the retirement of any sinking fund debentures.

g) *Inventories*

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

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under their respective function.

h) *Capital Assets*

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

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

Capital assets for government purposes are not depreciated.

i) *Allowances for Operating and Capital Assets*

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

j) *Prepaid Local Improvement Charges*

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

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

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2006

k) *Requisition Over-levy and Under-levy*

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

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

l) *Landfill Closure and Post-Closure Liability*

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

m) *Operating Fund*

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

n) *Capital Fund*

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

o) *Reserve Fund*

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

p) *Equity in Capital Assets*

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

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2006

2 CASH AND TEMPORARY INVESTMENTS

	<u>2006</u>	<u>2005</u>
	<u>\$</u>	<u>\$</u>
Cash	<u>1,530,897</u>	77,510
Temporary Investments	<u>1,072,150</u>	4,048,169
	<u><u>2,603,047</u></u>	<u><u>4,125,679</u></u>

Temporary Investments are short-term deposits with original maturities of three months or less. Included in the above balances are \$2,545,109 (2005 - \$2,569,706) of funds which are restricted in use, of which \$208,685 are unspent debenture revenue that will fund specific capital projects in 2007. The temporary investments have a fair market value of \$1,072,150 (2005 - \$4,048,169). Temporary investments have effective interest rates of 4.28% (2005 - 2.67% to 3.15%) and mature January 2, 2007.

3 TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2006</u>	<u>2005</u>
	<u>\$</u>	<u>\$</u>
Current taxes and grants in lieu	<u>296,204</u>	170,685
Tax arrears and grants in lieu	<u>749,479</u>	790,413
	<u>1,045,683</u>	961,098
Less: allowance for doubtful accounts	<u>(199,081)</u>	(209,649)
	<u><u>846,602</u></u>	<u><u>751,449</u></u>

The Town of Edson holds a quantity of Final Acquisition land (commercially zoned lands acquired by the Town of Edson for non payment of property taxes). The difference between taxes receivable on final acquisition land (\$690,860) and the allowance established for uncollectable taxes (\$199,081) is \$491,779. Future sales proceeds on these lands are anticipated to be sufficient to cover this difference .

4 INVESTMENTS

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
A.M.H.C. Shares	<u>30</u>	<u>30</u>	30	30
Short Term Notes	<u>5,584,370</u>	<u>5,621,210</u>	2,000,000	2,000,000
	<u><u>5,584,400</u></u>	<u><u>5,621,240</u></u>	<u><u>2,000,030</u></u>	<u><u>2,000,030</u></u>

Short term notes and deposits have an effective interest rate of 4.213% to 4.25% (2005 - 3.01%) and mature in less than one year.

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2006

5 OTHER FINANCIAL ASSETS

	2006	2005
	\$	\$
Accrued Interest on Investments	49,438	40,157
School Requisition Underlevy	2,435	1,454
	<u>51,873</u>	<u>41,611</u>

6 CAPITAL ASSETS

	2006	2005
	\$	\$
Engineered Structures	63,396,383	59,786,716
Buildings	9,700,441	9,614,914
Machinery and Equipment	3,100,041	2,964,030
Land	1,176,307	1,046,488
Vehicles	2,524,459	1,680,413
	<u>79,897,631</u>	<u>75,092,561</u>

7 DEFERRED REVENUE

	2006	2005
	\$	\$
Prepaid local improvement charges	60,479	48,874
Unearned revenue	2,640	3,408
Conditional government grants	2,054,622	1,241,637
	<u>2,117,741</u>	<u>1,293,919</u>

Prepaid local improvement charges

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

Conditional government grants

The use of these funds is restricted to eligible capital projects, as approved under the funding agreements, which are scheduled for completion in 2007. Unexpended funds related to the advance are supported by temporary investments held exclusively for these projects (Note 2)

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2006

8 LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Alberta environmental law requires closure and post-closure of landfill sites, which includes final covering and landscaping and ongoing environmental monitoring, site inspections and maintenance. In 2006 the Town received license approval from Alberta Environment to expand the existing dry waste facility.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the existing site is estimated at 650,000 tonnes. The estimated remaining capacity of the landfill site is 467,500 tonnes (2005 - 487,500 tonnes). The existing landfill site is expected to reach capacity in the year 2030.

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

	<u>2006</u>	<u>2005</u>
	<u>\$</u>	<u>\$</u>
Dry Waste		
Estimated closure costs	<u>860,400</u>	717,000
Estimated total liability	<u>860,400</u>	<u>717,000</u>
Estimated capacity remaining	<u>72.00%</u>	75.00%
Portion of total liability remaining to be recognized	<u>619,488</u>	<u>537,750</u>
Estimated capacity used	<u>28.00%</u>	25.00%
Accrued liability portion	<u>240,912</u>	<u>179,250</u>
Wet Waste		
Estimated closure costs	<u>117,600</u>	98,000
Estimated total liability	<u>117,600</u>	<u>98,000</u>
Total closure costs	<u>358,512</u>	277,250
Contingency	<u>-</u>	-
Total accrued liability	<u>358,512</u>	<u>277,250</u>

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2006

9 EMPLOYEE BENEFIT OBLIGATIONS

	2006	2005
	\$	\$
Vacation and overtime	290,886	225,938

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

10 LONG TERM DEBT

	2006	2005
	\$	\$
Tax supported debentures	2,755,568	3,445,374
Special levy supported debentures	3,474,289	2,919,141
Utility rate supported debentures	523,108	711,015
	6,752,965	7,075,530

The current portion of the long-term debt amounts to \$1,007,780 (2005 - \$974,190).

Principal and interest repayments are due as follows:

	Principal	Interest	Total
	\$	\$	\$
2007	1,007,780	283,509	1,291,289
2008	1,046,272	245,017	1,291,289
2009	1,086,265	205,024	1,291,289
2010	679,926	167,744	847,670
2011	153,005	146,661	299,666
Thereafter	2,779,717	1,046,048	3,825,765
	6,752,965	2,094,003	8,846,968

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 3.405% to 5.875% per annum and mature in periods 2009 through 2026.

Debenture debt is issued on the credit and security of the Town of Edson at large.

Interest on long-term debt amounted to \$294,237 (2005 - \$226,400)

The town's total cash payments for interest in 2005 were \$284,947 (2005 - \$210,272)

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2006

11 DEBT LIMITS

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

	<u>2006</u>	<u>2005</u>
	\$	\$
Total debt limit	23,077,409	20,147,698
Less total debt	6,752,965	7,075,530
 Total debt limit remaining	 <u>16,324,444</u>	 <u>13,072,168</u>
 Service on debt limit	 3,846,235	 3,357,950
Less service on debt	1,296,612	1,265,030
 Amount of debt servicing limit unused	 <u>2,549,623</u>	 <u>2,092,920</u>

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

12 OPERATING FUND

	<u>2006</u>	<u>2005</u>
	\$	\$
Unallocated	<u>1,049,915</u>	<u>1,047,240</u>

13 CAPITAL FUND

	<u>2006</u>	<u>2005</u>
	\$	\$
Financing available:		
3rd Avenue Road Build	142,172	-
Imperial Road Rebuild	48,130	289,314
Lane Paving	-	75,021
Motco Road & Related work	18,384	731,492
	<u>208,686</u>	<u>1,095,827</u>
Amounts to be financed:		
Block 131 Infrastructure	187,920	96,841
Animal Pound Addition	40,036	-
Water Wells	49,030	-
Lagoon Rehab	17,125	-
Transfer Station	48,632	-
	<u>342,743</u>	<u>96,841</u>
	<u>(134,057)</u>	<u>998,986</u>

The excess funds will be spent on these projects in 2007.

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

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2006

14 RESERVE FUND

	<u>2006</u>	<u>2005</u>
	\$	\$
Operating reserves:		
Computer & Equipment	17,000	14,200
Administration	2,145	37,145
Centennial Celebration	9,420	18,420
Alarie Reserve	38,000	38,000
Copier #2	34,706	31,706
Fire Fighting	27,000	27,000
Building Maintenance	238,620	292,328
Energy Conservation	287,794	247,170
Equipment Maintenance	21,000	21,000
Roads, street, walks, lighting	41,060	41,060
Snow Removal	198,000	198,000
Airport	10,000	10,000
Parent Link	19,476	-
F.C.S.S.	9,306	9,306
Planning / E.D.C.	90,000	90,000
Resale Land Purchase	2,148,925	1,079,140
Recreation Projects	42,700	42,700
Recreation Building Maintenance	344,095	344,095
Unconditional Contingency Reserve	686,832	576,832
	<u>4,266,079</u>	<u>3,118,102</u>
Capital reserves:		
Computer & Equipment Replace	-	54,971
Office Equipment	40,971	44,713
Fire Equipment	302,624	318,486
63rd Street Upgrades	155,000	152,000
Johnson Estates General Area	90,118	30,039
Skyview Subdivision	8,255	-
Infrastructure	404,360	587,934
40th Street Upgrade	122,000	-
Airport	-	40,000
Landfill	49,810	29,935
Cemetery	65,795	59,695
Future Land Purchases	73,618	58,796
Public Reserve Trust	124,512	179,960
Recreation Redevelopment	60,977	60,977
Swimming Pool	38,350	38,350
Unconditional Reserves	497,453	499,150
	<u>2,033,843</u>	<u>2,155,006</u>
	<u>6,299,922</u>	<u>5,273,108</u>

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2006

15 EQUITY IN CAPITAL ASSETS

	<u>2006</u>	<u>2005</u>
	\$	\$
Capital Assets (Note 6)	79,897,631	75,092,561
Long-term debt (Note 10)	(6,752,965)	(7,075,530)
	<u>73,144,666</u>	<u>68,017,031</u>

16 SALARY & BENEFITS DISCLOSURE

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

	<u>Salary (1)</u>	<u>Benefits & Allowances(2)</u>	<u>2006 Total</u>
	\$	\$	\$
Mayor Greg Pasychny	17,058	2,336	19,394
Councillor B. Boyce	12,251	838	13,089
Councillor L. Connolly	12,412	650	13,062
Councillor J. Gomuwka	9,211	794	10,005
Councillor C. Klemm	10,174	751	10,925
Councillor M. Olsen	13,605	881	14,486
Councillor N. Perrin	10,863	1,164	12,027
Town Manager	109,000	30,148	139,148
Assessor (contracted)	60,690	-	60,690

- (1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (2) Benefits & Allowances figure includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, long and short term disability plans, professional memberships and tuition.
- (3) Benefits and allowances figures also include the Employer's share of the costs of additional taxable benefits including special leave with pay, travel allowances and car allowances.

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

Employees of the Town of Edson participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. The Plan covers 108,860 active members, 17,300 deferred members, 33,776 retirees and 407 employers. It is financed by employer and employee contributions and investment earning of the LAPP Fund.

The Town of Edson is required to make current service contributions to the Plan of 7.4% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan, and 7.75% of pensionable earnings above this amount.

Total current service contributions by the Town of Edson to the Local Authorities Pension Plan in 2006 were \$161,851 (2005 - \$137,006). Total current and past service contributions by the employees of the Town of Edson to the Local Authorities Pension Plan in 2006 were \$142,181 (2005 - \$119,396).

As at December 31, 2005, the Plan disclosed an actuarial deficiency of \$863.56 million.

18 CONTINGENCIES

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

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

19 COMMITMENTS

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

20 FINANCIAL INSTRUMENTS

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

21 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.
