

TOWN OF EDSON

Financial Statements

For the Year Ended December 31, 2007

Audit Report

Management Report

Consolidated Statement of Financial Position

Consolidated Statement of Financial Activities and Change in Fund Balances

Consolidated Statement of Changes in Financial Position

Schedule 1 – Operating Fund Financial Activities and Change in Fund Balance

Schedule 2 – Capital Fund Financial Activities and Change in Fund Balance

Schedule 3 – Reserve Fund Financial Activities and Change in Fund Balance

Schedule 4 – Equity in Capital Assets

Schedule 5 – Property and Other Taxes

Schedule 6 – Government Transfers

Schedule 7 – Consolidated Expenditures by Object

Notes to the Financial Statements

Mergaert, Rathgeber, Barford & Williams
Chartered Accountants

AUDITORS' REPORT

To 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, 2007, 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, 2007, and the results of its financial activities and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles

Mergaert, Rathgeber, Barford & Williams

Edson, Alberta
March 14, 2008

Chartered Accountants

MANAGEMENT REPORT

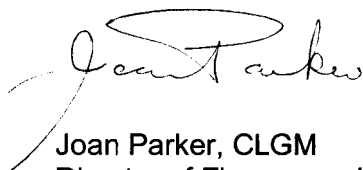
The accompanying consolidated financial statements and other information contained in this Financial Report are the responsibility of the management of the Town of Edson.

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 & Williams, Chartered Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of Council, residents and ratepayers of the Town. Mergaert, Rathgeber, Barford & Williams has full and free access to the Council.



Joan Parker, CLGM
Director of Finance and Administration
March 14, 2008

Town of Edson
Consolidated Statement of Financial Position
As at December 31, 2007

	2007	2006
	\$	\$
ASSETS		
Financial Assets		
Cash and temporary investments (Note 2)	12,583,084	2,603,047
Receivables		
Taxes and grants in place of taxes (Note 3)	592,838	846,602
Trade and other receivables	2,900,245	2,498,108
Other long term assets	91,063	152,584
Land held for resale	1,258,859	1,359,432
Other inventory held for resale	8,521	13,533
Investments (Note 4)	30	5,584,400
Prepaid expenses	8,335	18,090
Other financial assets (Note 5)	52,363	51,873
	<u>17,495,338</u>	<u>13,127,669</u>
Physical Assets		
Inventory for consumption	264,171	155,118
Capital assets (Note 6)	86,525,430	79,897,631
	<u>86,789,601</u>	<u>80,052,749</u>
Total Assets	<u><u>104,284,939</u></u>	<u><u>93,180,418</u></u>
LIABILITIES AND MUNICIPAL EQUITY		
Liabilities		
Accounts payable and accrued liabilities	2,107,921	2,527,567
Deposit liabilities	1,294,862	931,664
Deferred revenue (Note 7)	3,783,068	2,117,741
Provision for landfill closure and post-closure costs (Note 8)	452,183	358,512
Long term debt (Note 10)	9,333,429	6,752,965
Other liabilities	-	131,523
	<u>16,971,463</u>	<u>12,819,972</u>
Municipal Equity		
Fund Balances		
Operating fund (Schedule 1)	1,050,188	1,049,915
Capital fund (Schedule 2)	843,106	(134,057)
Reserve fund (Schedule 3)	8,228,181	6,299,922
Total Fund Balances	10,121,475	7,215,780
Equity in capital assets (Schedule 4) (Note 15)	77,192,001	73,144,666
	<u>77,192,001</u>	<u>73,144,666</u>
Total Liabilities and Municipal Equity	<u><u>104,284,939</u></u>	<u><u>93,180,418</u></u>

Contingencies - See Note 18

Town of Edson
Consolidated Statement of Financial Activities and Change in Fund Balances
For the Year Ended December 31, 2007

	Budget	2007	2006
	\$	\$	\$
Revenues			
Net municipal taxes (Schedule 5)	6,880,931	6,891,142	6,102,165
User fees and sale of goods	4,307,877	4,463,136	5,094,584
Government transfers (Schedule 6)	14,144,072	4,813,061	3,185,777
Investment income	230,000	358,613	283,598
Development levies	161,828	162,205	463,496
Penalties and costs of taxes	57,000	76,739	60,078
Franchise and concession contracts	475,000	440,600	464,126
Rentals	341,126	368,081	315,412
Proceeds from disposal of capital assets	-	10,282	2,472
Other	1,151,000	2,217,674	556,080
	<u>27,748,834</u>	<u>19,801,533</u>	<u>16,527,788</u>
Expenditures			
Operating			
Legislative	183,375	167,645	144,617
Administration	1,219,654	1,169,359	1,204,571
Protective Services	3,129,856	3,344,278	2,197,574
Roads, street, walks, lighting	1,577,813	1,480,651	1,487,164
Water and Wastewater	1,289,726	1,209,559	1,037,496
Waste Management	858,551	791,268	782,891
Subdivision and land development	238,623	286,021	225,170
Recreation and parks	2,670,162	2,448,705	2,756,468
Other	2,116,906	1,914,906	1,588,706
	<u>13,284,666</u>	<u>12,812,392</u>	<u>11,424,657</u>
Capital			
Administration	39,000	49,339	191,151
Transportation	3,736,829	3,171,905	3,181,893
Airport	30,000	90,076	115,349
Water and Wastewater	11,880,695	2,550,156	224,053
Waste Management	1,951,368	66,987	128,758
Other	1,372,414	735,446	1,042,916
	<u>19,010,306</u>	<u>6,663,909</u>	<u>4,884,120</u>
Total Expenditures			
	<u>19,010,306</u>	<u>6,663,909</u>	<u>4,884,120</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(4,546,138)	325,232	219,011
Capital debt issued	3,655,000	3,589,666	715,000
Capital debt repaid	(1,010,850)	(1,009,202)	(1,037,565)
CHANGE IN FUND BALANCES	(1,901,988)	2,905,696	(103,554)
FUND BALANCES AT BEGINNING OF YEAR	<u>7,215,780</u>	<u>7,215,780</u>	<u>7,319,334</u>
FUND BALANCES AT END OF YEAR	<u><u>5,313,792</u></u>	<u><u>10,121,476</u></u>	<u><u>7,215,780</u></u>

Town of Edson
Consolidated Statement of Changes in Financial Position
For the Year Ended December 31, 2007

	2007 \$	2006 \$
CASH PROVIDED BY (USED IN):		
Operating Activities		
Excess (deficiency) of revenues over expenditures	325,232	219,011
Net change in non-cash operating working capital balances:		
Decrease (increase) in taxes and grants in place receivable	253,764	(95,153)
Decrease (increase) in trades and other receivables	(402,137)	382,721
Decrease (increase) in land held for sale	100,573	(81,863)
Decrease (increase) in inventory for consumption	(109,053)	(27,674)
Decrease (increase) in prepaid expenses	9,755	17,902
Increase (decrease) in accounts payable and accrued liabilities	(375,035)	525,461
Increase (decrease) in deposit liabilities	363,198	454,780
Increase (decrease) in deferred revenue	1,665,326	823,822
Increase (decrease) in employee benefit obligations	(44,611)	64,948
Increase (decrease) in other working capital	(131,523)	19,471
Increase (decrease) in provision for landfill closure and post-closure costs	93,671	81,262
Decrease (increase) in other financial assets	66,043	(385)
Net cash from operations	<u>1,489,971</u>	<u>2,165,292</u>
Investing Activities		
Decrease (increase) in restricted cash & temporary investments	(2,796,722)	24,597
Decrease (increase) in investments	5,584,370	(3,584,370)
	<u>2,787,648</u>	<u>(3,559,773)</u>
Financing Activities		
Long-term debt issued	3,589,666	715,000
Long-term debt repaid	(1,009,202)	(1,037,565)
	<u>2,580,464</u>	<u>(322,565)</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	7,183,315	(1,498,035)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	57,938	1,555,973
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>7,241,253</u>	<u>57,938</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	12,583,084	2,603,047
Less: restricted portion of cash and temporary investments (Note 2)	(5,341,831)	(2,545,109)
	<u>7,241,253</u>	<u>57,938</u>

Town of Edson
Schedule of Operating Fund Financial Activities and Change in Fund Balance
For the Year Ended December 31, 2007
Schedule 1

	Budget	2007	2006
	\$	\$	\$
REVENUE			
Net municipal property taxes (Schedule 5)	6,880,931	6,891,142	6,102,165
User fees and sales of goods	4,307,877	4,463,136	5,094,584
Government transfers	2,234,116	2,357,408	2,042,928
Investment income	225,000	351,474	277,705
Penalties and costs of taxes	57,000	76,739	60,078
Franchise and concession contracts	475,000	440,600	464,126
Rentals	341,126	368,081	315,412
Other	1,151,000	2,217,674	426,080
Total Revenue	15,672,050	17,166,254	14,783,078
EXPENDITURE			
Legislative	183,375	167,645	144,617
Administration	1,219,654	1,169,359	1,204,571
Protective Services	3,129,856	3,344,278	2,197,574
Common Services	956,833	856,344	665,030
Roads, streets, walks, lighting	1,577,813	1,480,651	1,487,164
Water	881,342	905,393	715,286
Wastewater	408,384	304,166	322,210
Waste Management	858,551	791,268	782,891
FCSS	328,093	312,209	243,145
Subdivision and land development	238,623	286,021	225,170
Recreation and parks	2,670,162	2,448,705	2,756,468
Culture	207,878	215,820	186,604
Other	624,102	530,533	493,927
Total Expenditure	13,284,666	12,812,392	11,424,657
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	2,387,384	4,353,862	3,358,421
NET INTER-FUND TRANSFERS			
Transfers to capital fund (Schedule 2)	(2,587,000)	(2,796,550)	(1,170,204)
Transfers from (to) reserve fund (Schedule 3)	1,210,466	(547,837)	(1,147,977)
Capital debt repaid (Schedule 4)	(1,010,850)	(1,009,202)	(1,037,565)
CHANGE IN OPERATING FUND BALANCE	-	273	2,675
FUND BALANCE AT BEGINNING OF YEAR	1,049,915	1,049,915	1,047,240
FUND BALANCE AT END OF YEAR (Note 12)	1,049,915	1,050,188	1,049,915

Town of Edson
Schedule of Capital Fund Financial Activities and Change in Fund Balance
For the Year Ended December 31, 2007
Schedule 2

	Budget \$	2007 \$	2006 \$
REVENUE			
Government transfers	11,909,956	2,455,653	1,142,849
Investment income	5,000	7,139	5,893
Development levies	161,828	162,205	463,496
Donations	-	-	130,000
Proceeds from disposal of capital assets	-	10,282	2,472
Total Revenue	<u>12,076,784</u>	<u>2,635,279</u>	<u>1,744,710</u>
EXPENDITURES			
Administration	39,000	49,339	191,151
Transportation	3,736,829	3,171,905	3,181,893
Airport	30,000	90,076	115,349
Water and Wastewater	11,880,695	2,550,156	224,053
Waste Management	1,951,368	66,987	128,758
Other	1,372,414	735,447	1,042,916
Total Expenditures	<u>19,010,306</u>	<u>6,663,910</u>	<u>4,884,120</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(6,933,522)	(4,028,631)	(3,139,410)
CAPITAL FINANCING AND NET INTER-FUND TRANSFERS			
Transfers from operating fund (Schedule 1)	2,587,000	2,796,550	1,170,204
Transfers from (to) reserve fund (Schedule 3)	825,580	(1,380,422)	121,163
Capital debt issued (Schedule 4)	3,655,000	3,589,666	715,000
	7,067,580	5,005,794	2,006,367
CHANGE IN CAPITAL FUND BALANCE	134,058	977,163	(1,133,043)
FUND BALANCE AT BEGINNING OF YEAR	<u>(134,058)</u>	<u>(134,057)</u>	<u>998,986</u>
FUND BALANCE AT END OF YEAR (Note 13)	<u><u>-</u></u>	<u><u>843,106</u></u>	<u><u>(134,057)</u></u>

Town of Edson
Schedule of Reserve Fund Financial Activities and Change in Fund Balance
For the Year Ended December 31, 2007
Schedule 3

	Budget	2007	2006
	<u>\$</u>	<u>\$</u>	<u>\$</u>
NET INTER-FUND TRANSFERS			
Transfer from operating fund	1,436,527	2,802,888	1,965,357
Transfer to operating fund	<u>(2,646,993)</u>	<u>(2,255,051)</u>	<u>(817,380)</u>
Net transfer (to) from operating fund	<u>(1,210,466)</u>	<u>547,837</u>	<u>1,147,977</u>
Transfer from capital fund	2,982,254	3,012,889	1,060,149
Transfer to capital fund	<u>(3,807,834)</u>	<u>(1,632,467)</u>	<u>(1,181,312)</u>
Net transfer (to) from capital fund	<u>(825,580)</u>	<u>1,380,422</u>	<u>(121,163)</u>
CHANGE IN RESERVE FUND BALANCE	(2,036,046)	1,928,259	1,026,814
FUND BALANCE AT BEGINNING OF YEAR	<u>6,299,922</u>	<u>6,299,922</u>	<u>5,273,108</u>
FUND BALANCE AT END OF YEAR (Note 14)	<u>\$ 4,263,876</u>	<u>\$ 8,228,181</u>	<u>\$ 6,299,922</u>

Town of Edson
Schedule of Equity in Capital Assets
For the Year Ended December 31, 2007
Schedule 4

	Budget	2007	2006
	\$	\$	\$
ACQUISITION OF CAPITAL ASSETS			
Administration	39,000	49,339	191,151
Fire Department	364,450	-	544,078
Common Services	606,964	609,031	423,876
Roads, streets, walks, lighting	3,736,829	3,171,905	3,181,893
Airport	30,000	90,076	115,349
Storm Sewers & Drainage	40,000	-	59,961
Water supply and distribution	11,597,820	2,530,874	206,928
Wastewater	282,875	19,282	17,125
Waste Management	1,951,368	66,987	128,758
Cemetery	-	-	-
Planning	75,000	4,780	-
Recreation	286,000	121,636	15,001
	<u>19,010,306</u>	<u>6,663,910</u>	4,884,120
DISPOSAL OF CAPITAL ASSETS (COST)			
Administration	-	-	(69,550)
Common Services	-	(36,111)	(9,500)
Roads, streets, walks, lighting	-	-	-
	<u>-</u>	<u>(36,111)</u>	(79,050)
CAPITAL FINANCING			
Capital debt issued (Schedule 2)	(3,655,000)	(3,589,666)	(715,000)
Capital debt repaid from operating fund (Schedule 1)	1,010,850	1,009,202	1,037,565
Capital debt repaid from other sources	-	-	-
DEBT CHARGES RECOVERABLE			
Debt charges applied	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN EQUITY BALANCE	16,366,156	4,047,335	5,127,635
EQUITY BALANCE AT BEGINNING OF YEAR	<u>73,144,666</u>	<u>73,144,666</u>	<u>68,017,031</u>
EQUITY BALANCE AT END OF YEAR (Note 15)	<u>89,510,822</u>	<u>77,192,001</u>	<u>73,144,666</u>

Town of Edson
Schedule of Property and Other Taxes
For the Year Ended December 31, 2007
Schedule 5

	Budget	2007	2006
	\$	\$	\$
TAXATION			
Real property taxes	8,417,251	8,639,386	7,448,233
Linear property taxes	530,496	530,486	520,920
Government grants in lieu of property taxes	207,247	207,248	210,726
Special assessment and local improvement tax	425,959	437,042	343,675
	<u>9,580,953</u>	<u>9,814,162</u>	<u>8,523,554</u>
REQUISITIONS			
Alberta School Foundation Fund	2,165,567	2,167,543	2,087,968
Living Waters Separate School District	298,598	297,230	288,092
Evergreens Seniors Foundation	235,857	458,247	45,329
	<u>2,700,022</u>	<u>2,923,020</u>	<u>2,421,389</u>
NET MUNICIPAL TAXES	<u><u>6,880,931</u></u>	<u><u>6,891,142</u></u>	<u><u>6,102,165</u></u>

Town of Edson
Schedule of Government Transfers
For the Year Ended December 31, 2007
Schedule 6

	Budget \$	2007 \$	2006 \$
FEDERAL TRANSFERS			
Shared-cost agreements and grants	3,008,000	475,236	840
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	9,411,456	2,830,827	2,126,762
Debt interest rebates	-	-	-
	<u>9,411,456</u>	<u>2,830,827</u>	<u>2,126,762</u>
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements and grants	1,724,616	1,506,998	1,058,175
	<u>14,144,072</u>	<u>4,813,061</u>	<u>3,185,777</u>

Town of Edson
Schedule of Consolidated Expenditures by Object
For the Year Ended December 31, 2007
Schedule 7

	Budget	2007	2006
	\$	\$	\$
CONSOLIDATED EXPENDITURES BY OBJECT			
Salaries, wages and benefits	4,598,747	4,466,861	4,022,117
Contracted and general services	3,936,944	3,717,284	3,450,039
Materials, goods and utilities	2,002,110	1,856,497	1,708,647
Transfers to local boards and agencies	154,000	187,878	140,000
Bank charges and short term interest	2,500	3,239	2,317
Interest on long term debt	311,376	324,932	294,237
Capital assets acquired	19,010,306	6,663,909	4,884,120
Purchases from other governments	1,392,266	1,376,096	1,091,118
Grants to Organizations	746,404	709,348	605,914
Other expenditures	140,319	170,257	110,268
	<u>32,294,972</u>	<u>19,476,301</u>	<u>16,308,777</u>

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2007

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, 2007

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) *Tangible Capital Assets*

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

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

Assets have not been amortized as of December 31, 2007.

During 2007, the Town of Edson worked towards compliance with the new recommendations for accounting for tangible capital assets. Effective January 1, 2008 the Town of Edson adopted a Tangible Capital Assets Policy with Managerial Guidelines. This policy's guidelines include establishing the asset classification, the capitalization thresholds, the method of valuing the asset, the amortization basis, determining the method of asset write-down and disposal, and establishing the maximum useful life for each asset classification.

A complete listing of assets and values is currently being established and expected to be substantially completed by December 31, 2008.

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.

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2007

j) *Prepaid Local Improvement Charges*

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

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

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

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

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

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

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, 2007

2 CASH AND TEMPORARY INVESTMENTS

	2007	2006
	\$	\$
Cash	1,754,237	1,530,897
Temporary Investments	10,828,847	1,072,150
	12,583,084	2,603,047

Temporary Investments are short-term deposits with original maturities of three months or less. Included in the above balances are \$ 5,341,831 (2006 - \$2,545,109) of funds which are restricted in use, of which \$1,369,334 are unspent debenture revenue that will fund specific capital projects in 2008. The temporary investments have a fair market value of \$10,869,140 (2006 -\$1,072,150). Temporary investments have effective interest rates of 4.595% to 4.736% (2006 - 4.28%) and all mature by February 29, 2008.

3 TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2007	2006
	\$	\$
Current taxes and grants in lieu	197,097	296,204
Tax arrears and grants in lieu	570,812	749,479
	767,909	1,045,683
Less: allowance for doubtful accounts	(175,071)	(199,081)
	592,838	846,602

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 (\$542,057) and the allowance established for uncollectable taxes (\$175,071) is \$366,986. Future sales proceeds on these lands are anticipated to be sufficient to cover this difference.

4 INVESTMENTS

	2007		2006	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
A.M.H.C. Shares	30	30	30	30
Short Term Notes	-	-	5,584,370	5,621,210
	30	30	5,584,400	5,621,240

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2007

5 OTHER FINANCIAL ASSETS

	<u>2007</u>	<u>2006</u>
	\$	\$
Accrued Interest on Investments	<u>51,580</u>	49,438
School Requisition Underlevy	<u>783</u>	2,435
	<u><u>52,363</u></u>	<u><u>51,873</u></u>

6 CAPITAL ASSETS

	<u>2007</u>	<u>2006</u>
	\$	\$
Engineered Structures	<u>69,259,683</u>	63,396,383
Buildings	<u>9,765,942</u>	9,700,441
Machinery and Equipment	<u>3,528,274</u>	3,100,041
Land	<u>1,286,307</u>	1,176,307
Vehicles	<u>2,685,224</u>	2,524,459
	<u><u>86,525,430</u></u>	<u><u>79,897,631</u></u>

7 DEFERRED REVENUE

	<u>2007</u>	<u>2006</u>
	\$	\$
Prepaid local improvement charges	<u>58,552</u>	60,479
Unearned revenue	<u>2,350</u>	2,640
Conditional government grants	<u>3,722,166</u>	2,054,622
	<u><u>3,783,068</u></u>	<u><u>2,117,741</u></u>

Prepaid local improvement charges

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

Conditional government grants

The use of these funds is restricted to eligible capital projects, as approved under the funding agreements, which are scheduled for completion in 2008. 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, 2007

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 434,785 tonnes (2006 - 467,500 tonnes). The existing landfill site is expected to reach capacity in the year 2025.

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

	<u>2007</u>	<u>2006</u>
	<u>\$</u>	<u>\$</u>
Dry Waste		
Estimated closure costs	<u>975,000</u>	<u>860,400</u>
Estimated total liability	<u>975,000</u>	<u>860,400</u>
Estimated capacity remaining	<u>66.89%</u>	<u>72.00%</u>
Portion of total liability remaining to be recognized	<u>652,178</u>	<u>619,488</u>
Estimated capacity used	<u>33.11%</u>	<u>28.00%</u>
Accrued liability portion	<u>322,823</u>	<u>240,912</u>
Wet Waste		
Estimated closure costs	<u>129,360</u>	<u>117,600</u>
Estimated total liability	<u>129,360</u>	<u>117,600</u>
Total closure costs	<u>452,183</u>	<u>358,512</u>
Contingency	<u>-</u>	<u>-</u>
Total accrued liability	<u>452,183</u>	<u>358,512</u>

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2007

9 EMPLOYEE BENEFIT OBLIGATIONS

	2007	2006
	\$	\$
Vacation and overtime	246,275	290,886

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

	2007	2006
	\$	\$
Tax supported debentures	3,041,057	2,755,568
Special levy supported debentures	5,937,020	3,474,289
Utility rate supported debentures	355,352	523,108
	9,333,429	6,752,965

The current portion of the long-term debt amounts to \$1,286,823 (2006 - \$1,007,780).

Principal and interest repayments are due as follows:

	Principal	Interest	Total
	\$	\$	\$
2008	1,286,823	414,931	1,701,754
2009	1,338,223	363,530	1,701,753
2010	943,833	314,302	1,258,135
2011	429,428	280,704	710,132
2012	450,318	259,813	710,131
Thereafter	4,884,804	2,184,636	7,069,440
	9,333,429	3,817,916	13,151,345

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

Interest on long-term debt amounted to \$324,932 (2006 - \$ 294,237).

The town's total cash payments for interest in 2007 were \$284,621 (2006 - \$284,947).

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2007

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>2007</u>	<u>2006</u>
	\$	\$
Total debt limit	26,018,820	23,077,409
Less total debt	9,333,429	6,752,965
 Total debt limit remaining	 <u>16,685,391</u>	 <u>16,324,444</u>
 Service on debt limit	 4,336,470	 3,846,235
Less service on debt	1,701,754	1,296,612
 Amount of debt servicing limit unused	 <u>2,634,716</u>	 <u>2,549,623</u>

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

12 OPERATING FUND

	<u>2007</u>	<u>2006</u>
	\$	\$
Unallocated	<u>1,053,082</u>	<u>1,049,915</u>

13 CAPITAL FUND

	<u>2007</u>	<u>2006</u>
	\$	\$
Financing available:		
Highway Watermains	1,324,797	-
3rd Avenue Road Build	-	142,172
Imperial Road Rebuild	21,365	48,130
Lane Paving	4,789	-
Motco Road & Related work	18,383	18,384
	<u>1,369,334</u>	<u>208,686</u>
Amounts to be financed:		
Utility Study	77,157	-
Arena Renovations	386	-
Block 131 Infrastructure	187,920	187,920
Animal Pound Addition	-	40,036
Water Wells	124,639	49,030
Lagoon Rehab	36,407	17,125
Transfer Station	99,719	48,632
	<u>526,228</u>	<u>342,743</u>
	<u>843,106</u>	<u>(134,057)</u>

The excess funds will be spent on these projects in 2008.

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, 2007

14 RESERVE FUND

	<u>2007</u>	<u>2006</u>
	<u>\$</u>	<u>\$</u>
Operating reserves:		
Computer & Equipment	20,000	17,000
Administration	382,945	2,145
Community Development	500,000	-
Centennial Celebration	200,000	9,420
Alarie Reserve	38,000	38,000
Copier #2	27,981	34,706
Fire Fighting	27,000	27,000
Building Maintenance	483,830	238,620
Energy Conservation	441,690	287,794
Equipment Maintenance	21,000	21,000
Roads, Street, Walks, Lighting	-	41,060
Snow Removal	198,000	198,000
Airport	10,000	10,000
Sewer	30,000	-
Parent Link	32,903	19,476
F.C.S.S.	9,306	9,306
Planning / E.D.C.	90,000	90,000
Resale Land Purchase	1,024,935	2,148,925
Recreation Projects	42,700	42,700
Recreation Building Maintenance	376,794	344,095
Culture	50,000	-
Unconditional Contingency Reserve	806,832	686,832
	<u>4,813,916</u>	<u>4,266,079</u>
Capital reserves:		
Office Equipment	122,841	40,971
Fire Equipment	344,624	302,624
63rd Street Upgrades	155,000	155,000
Johnson Estates General Area	102,134	90,118
Skyview Subdivision	8,255	8,255
Infrastructure	955,248	404,360
40th Street Upgrade	-	122,000
Landfill	399,810	49,810
Cemetery	71,275	65,795
Future Land Purchases	73,618	73,618
Public Reserve Trust	131,651	124,512
Recreation Redevelopment	60,977	60,977
Recreation Facilities	338,350	38,350
Unconditional Reserves	650,482	497,453
	<u>3,414,265</u>	<u>2,033,843</u>
	<u><u>8,228,181</u></u>	<u><u>6,299,922</u></u>

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2007

15 EQUITY IN CAPITAL ASSETS

	<u>2007</u>	<u>2006</u>
	\$	\$
Capital Assets (Note 6)	86,525,430	79,897,631
Long-term debt (Note 10)	(9,333,429)	(6,752,965)
	<u>77,192,001</u>	<u>73,144,666</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>2007 Total</u>
	\$	\$	\$
Mayor Greg Pasychny	19,666	2,267	21,933
Councillor B. Boyce	13,212	1,762	14,974
Councillor L. Connolly	11,581	838	12,419
Councill L. Friesen	4,000	958	4,958
Councillor J. Gomuwka	11,785	1,873	13,658
Councillor C. Klemm	8,634	780	9,414
Councillor M. Olsen	12,429	2,160	14,589
Councillor N. Perrin	7,283	634	7,917
Councillor K. Zahara	2,915	585	3,500
Town Manager	115,250	31,813	147,063
Assessor (contracted)	63,600	-	63,600

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

(2) Benefits & Allowances figure includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, long and short term disability plans, professional memberships and tuition.

(3) Benefits & Allowances figures also include the Employer's share of the costs of additional taxable benefits including special leave with pay, travel allowances and car allowances.

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2007

17 LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Edson participate in the Local Authorities Pension Plan (LAPP) which is one of the plans covered by the Public Sector Pension Plans Act. The LAPP serves about 168,000 people. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

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

Total current service contributions by the Town of Edson to the Local Authorities Pension Plan in 2007 were \$163,484 (2006 - \$161,851). Total current and past service contributions by the employees of the Town of Edson to the Local Authorities Pension Plan in 2007 were \$143,547 (2006 - \$142,181)

As at December 31, 2006 the Plan disclosed an actuarial deficiency of \$746.7million.

18 CONTINGENCIES

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

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

19 COMMITMENTS

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

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

The town has entered into an agreement for ambulance services ending December 31, 2011 with annual costs of \$350,000 of which 42% is cost shared by Yellowhead County.

The town has contract with BYZ Construction Inc. for infrastructure replacement. The project is incomplete and the town is committed to complete the contract in 2008 in the amount of \$8,283,999.

TOWN OF EDSON
Notes to the Financial Statements
For the Year Ended December 31, 2007

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.
