

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

**TOWN OF EDSON**  
**Consolidated Financial Statements**  
**Year Ended December 31, 2011**

**TOWN OF EDSON**  
**Index to Consolidated Financial Statements**  
**Year Ended December 31, 2011**

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**INDEPENDENT AUDITOR'S REPORT**

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To the Members of Town of Edson

We have audited the accompanying consolidated financial statements of Town of Edson, which comprise the consolidated statement of financial position as at December 31, 2011 and the consolidated statements of operations, changes in accumulated surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Town of Edson as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally public sector accounting standards.

*Mergaert, Barford, Williams & Joly*

Edson, Alberta  
April 18, 2012

CHARTERED ACCOUNTANTS

**TOWN OF EDSON**  
**Consolidated Statement of Financial Position**  
**December 31, 2011**

	2011	2010
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments <i>(Note 2)</i>	\$ 7,417,760	\$ 5,788,285
Receivables		
Taxes and grants in place of taxes <i>(Note 3)</i>	738,077	839,650
Trade and other receivables	4,255,302	5,163,755
Land held for resale	1,406,936	1,423,212
Inventory held for resale	6,855	9,496
Long term investments	30	30
Other financial assets <i>(Note 4)</i>	20,576	13,010
Other long term assets	20,950	29,226
	<u>13,866,486</u>	<u>13,266,664</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	3,222,540	2,643,099
Deposit liabilities	1,311,539	975,363
Deferred revenue <i>(Note 6)</i>	1,998,122	1,896,269
Provision for landfill closure <i>(Note 7)</i>	789,141	685,367
Other long-term liabilities	149,599	149,599
Long term debt <i>(Note 8)</i>	7,226,039	6,274,267
	<u>14,696,980</u>	<u>12,623,964</u>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<u>(830,494)</u>	642,700
<b>NON-FINANCIAL ASSETS</b>		
Property, plant and equipment <i>(Net of accumulated amortization)</i>	65,799,806	60,267,474
Prepaid expenses	260,335	105,076
Inventory for consumption	389,902	316,169
	<u>66,450,043</u>	<u>60,688,719</u>
<b>ACCUMULATED SURPLUS <i>(Note 11)</i></b>	<u>\$ 65,619,549</u>	<u>\$ 61,331,419</u>

See notes to financial statements

**TOWN OF EDSON**  
**Consolidated Statement of Operations**  
**Year Ended December 31, 2011**

	Budget	2011	2010
<b>REVENUE</b>			
Net municipal taxes <i>(Schedule 2)</i>	\$ 9,299,351	\$ 9,261,494	\$ 8,805,329
Operating transfers <i>(Schedule 3)</i>	3,479,286	3,848,715	3,247,268
User fees and sales of goods	3,763,892	3,815,551	3,288,316
Investment income	40,500	63,226	44,228
Penalties and costs on taxes	108,000	138,990	112,176
Licenses and permits	93,200	86,034	88,703
Fines	627,000	874,588	889,643
Franchise fees	566,146	637,133	568,795
Rentals	330,407	391,783	343,250
Other	-	25,743	16,525
Development levies	30,000	18,000	15,000
Contributions - operating	86,000	220,506	1,548,771
Gain on sale of tangible capital assets	-	-	347,677
	<u>18,423,782</u>	<u>19,381,763</u>	<u>19,315,681</u>
<b>EXPENSES</b>			
Legislative	222,425	239,011	198,685
General administration	1,887,545	1,730,507	1,546,893
Protective services	3,204,471	3,326,678	3,231,069
Roads, streets, and equipment	4,279,400	4,488,436	6,056,169
Utilities	3,502,769	3,237,268	3,270,380
Public health and welfare	535,055	620,561	494,550
Planning and development	577,120	516,279	1,356,417
Recreation and parks	3,699,248	3,368,468	3,691,254
Culture	1,900,767	1,861,863	2,768,953
	<u>19,808,800</u>	<u>19,389,071</u>	<u>22,614,370</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	<u>(1,385,018)</u>	<u>(7,308)</u>	<u>(3,298,689)</u>
<b>OTHER INCOME</b>			
Capital transfers <i>(Schedule 3)</i>	3,462,919	3,263,550	6,423,353
Contributed capital assets	179,660	1,031,888	14,767
	<u>3,642,579</u>	<u>4,295,438</u>	<u>6,438,120</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	2,257,561	4,288,130	3,139,431
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>61,331,419</u>	<u>61,331,419</u>	<u>58,191,988</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 63,588,980</u>	<u>\$ 65,619,549</u>	<u>\$ 61,331,419</u>

See notes to financial statements

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

**TOWN OF EDSON**  
**Consolidated Statement of Changes in Accumulated Surplus**  
**Year Ended December 31, 2011**

	Unrestricted Surplus	Restricted Surplus	Equity in TCA	<b>2011</b>	2010
<b>BALANCE - BEGINNING OF PERIOD</b>	\$ 1,849,551	\$ 5,488,661	\$ 53,993,207	<b>\$ 61,331,419</b>	\$ 58,191,988
Excess of revenue over expenses	4,288,130	-	-	<b>4,288,130</b>	3,139,431
Unrestricted funds designated for future use	(1,857,720)	1,857,720	-	-	-
Restricted funds used for operations	242,840	(242,840)	-	-	-
Restricted funds used for tangible capital assets	-	(2,108,723)	2,108,723	-	-
Current year funds used for tangible capital assets	(4,734,045)	-	4,734,045	-	-
Contributed tangible capital assets	(1,031,888)	-	1,031,888	-	-
Disposal of tangible capital assets	22,784	-	(22,784)	-	-
Annual amortization expense	2,319,540	-	(2,319,540)	-	-
Long term debt repaid	(448,228)	-	448,228	-	-
Proceeds from long term debt	1,400,000	-	(1,400,000)	-	-
<b>BALANCE - END OF PERIOD</b>	<b>\$ 2,050,964</b>	<b>\$ 4,994,818</b>	<b>\$ 58,573,767</b>	<b>\$ 65,619,549</b>	<b>\$ 61,331,419</b>

See notes to financial statements

**TOWN OF EDSON**  
**Consolidated Statement of Change in Net Financial Assets**  
**Year Ended December 31, 2011**

	2011	2010
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 4,288,130</b>	<b>\$ 3,139,431</b>
Loss on sale	22,787	44,019
Gain on sale	-	(347,677)
Acquisition of tangible capital assets	(7,874,656)	(4,721,574)
Proceeds on disposal of tangible capital assets	-	577,869
Amortization of tangible capital assets	2,319,540	2,168,669
	<u>(5,532,329)</u>	<u>(2,278,694)</u>
Change in supplies inventory	(73,736)	52,139
Change in prepaid assets	(155,259)	45,968
	<u>(228,995)</u>	<u>98,107</u>
<b>DECREASE IN NET DEBT</b>	<b>(1,473,194)</b>	<b>958,844</b>
<b>NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR</b>	<b>642,700</b>	<b>(316,144)</b>
<b>NET FINANCIAL ASSETS (DEBT) - END OF YEAR</b>	<b>\$ (830,494)</b>	<b>\$ 642,700</b>

See notes to financial statements



**TOWN OF EDSON**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2011**

	2011	2010
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 4,288,130	\$ 3,139,431
Items not affecting cash:		
Amortization of tangible capital assets	2,319,540	2,168,669
Loss on disposal of tangible capital assets	22,787	44,019
Gain on sale of tangible capital assets	-	(347,677)
	<u>6,630,457</u>	<u>5,004,442</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes	101,573	(210,202)
Trade and other receivables	908,453	(209,920)
Land held for resale	16,276	13,056
Inventory held for resale	2,641	1,006
Inventory for consumption	(73,733)	52,139
Prepaid expenses	(155,259)	45,968
Other financial assets	(7,566)	(5,486)
Other long term assets	8,276	2,311
Accounts payable and accrued liabilities	579,443	465,297
Deposit liabilities	336,176	(17,463)
Deferred revenue	101,853	(662,565)
Provision for landfill closure	103,774	95,451
	<u>1,921,907</u>	<u>(430,408)</u>
Cash flow from operating activities	<u>8,552,364</u>	<u>4,574,034</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	(7,874,656)	(4,721,574)
Proceeds on disposal of tangible capital assets	-	577,869
Cash flow used by investing activities	<u>(7,874,656)</u>	<u>(4,143,705)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from long term financing	1,400,000	-
Repayment of long term debt	(448,233)	(961,806)
Cash flow from (used by) financing activities	<u>951,767</u>	<u>(961,806)</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>1,629,475</b>	<b>(531,477)</b>
Cash - beginning of year	<u>5,788,285</u>	<u>6,319,762</u>
<b>CASH - END OF YEAR (Note 2)</b>	<b><u>\$ 7,417,760</u></b>	<b><u>\$ 5,788,285</u></b>
<b>CASH FLOWS SUPPLEMENTARY INFORMATION</b>		
Interest paid	<u>\$ 304,682</u>	<u>\$ 343,397</u>

See notes to financial statements

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

**TOWN OF EDSON**  
**Consolidated Schedule of Tangible Capital Assets**      *(Schedule 1)*  
**Year Ended December 31, 2011**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2011	2010
<b>COST</b>								
BALANCE, BEGINNING OF YEAR	\$ 9,225,488	\$ 9,002,939	\$ 9,358,622	\$ 73,779,078	\$ 3,292,114	\$ 2,111,143	<b>\$106,769,384</b>	\$102,495,470
Acquisition of tangible capital assets	360,800	1,794,820	2,035,107	1,496,050	299,122	195,258	<b>6,181,157</b>	3,515,380
Construction in progress	-	693,290	241,357	758,852	-	-	<b>1,693,499</b>	1,206,194
Disposal of tangible capital assets	-	-	(25,506)	(23,560)	-	-	<b>(49,066)</b>	(447,660)
BALANCE, END OF YEAR	<b>\$ 9,586,288</b>	<b>\$ 11,491,049</b>	<b>\$ 11,609,580</b>	<b>\$ 76,010,420</b>	<b>\$ 3,591,236</b>	<b>\$ 2,306,401</b>	<b>\$114,594,974</b>	\$106,769,384
<b>ACCUMULATED AMORTIZATION</b>								
BALANCE, BEGINNING OF YEAR	\$ -	\$ 3,376,974	\$ 3,379,688	\$ 37,336,847	\$ 1,626,891	\$ 781,510	<b>\$ 46,501,910</b>	\$ 44,506,690
Annual amortization	-	234,799	225,264	1,447,941	252,936	158,600	<b>2,319,540</b>	2,168,669
Accumulated amortization on disposals	-	-	(8,545)	(17,737)	-	-	<b>(26,282)</b>	(173,449)
BALANCE, END OF YEAR	<b>\$ -</b>	<b>\$ 3,611,773</b>	<b>\$ 3,596,407</b>	<b>\$ 38,767,051</b>	<b>\$ 1,879,827</b>	<b>\$ 940,110</b>	<b>\$ 48,795,168</b>	\$ 46,501,910
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 9,586,288</b>	<b>\$ 7,879,276</b>	<b>\$ 8,013,173</b>	<b>\$ 37,243,369</b>	<b>\$ 1,711,409</b>	<b>\$ 1,366,291</b>	<b>\$ 65,799,806</b>	\$ 60,267,474
2010 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<b>\$ 9,225,488</b>	<b>\$ 5,625,965</b>	<b>\$ 5,978,934</b>	<b>\$ 36,442,231</b>	<b>\$ 1,665,223</b>	<b>\$ 1,329,633</b>		<b>\$ 60,267,474</b>

See notes to financial statements

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

**TOWN OF EDSON**  
**Consolidated Schedule of Property and Other Taxes**      *(Schedule 2)*  
**Year Ended December 31, 2011**

	Budget (Unaudited)	2011	2010
<b>TAXATION</b>			
Real property taxes	\$ 10,937,395	<b>\$ 10,899,476</b>	\$ 10,339,662
Linear property taxes	473,354	<b>473,353</b>	455,167
Government grants in place of property taxes	256,520	<b>251,429</b>	236,071
Special assessments and local improvement taxes	659,475	<b>660,309</b>	657,250
	<u>12,326,744</u>	<u><b>12,284,567</b></u>	<u>11,688,150</u>
<b>REQUISITIONS</b>			
Grande Yellowhead Public School Division	2,530,510	<b>2,530,511</b>	2,418,225
Living Waters Catholic Regional Division	345,047	<b>345,046</b>	327,648
Evergreens Seniors Foundation	147,516	<b>147,516</b>	136,948
School Underlevy	4,320	-	-
	<u>3,027,393</u>	<u><b>3,023,073</b></u>	<u>2,882,821</u>
<b>NET MUNICIPAL TAXES</b>	<u><b>\$ 9,299,351</b></u>	<u><b>\$ 9,261,494</b></u>	<u>\$ 8,805,329</u>

**TOWN OF EDSON**  
**Consolidated Schedule of Government Transfers** **(Schedule 3)**  
**Year Ended December 31, 2011**

	Budget unaudited	<b>2011</b>	2010
<b>TRANSFERS FOR OPERATING</b>			
Federal government transfers	\$ -	\$ 127,420	\$ 600
Provincial government transfers	921,137	868,272	1,054,086
Local government transfers	2,558,149	<b>2,853,023</b>	2,192,582
	<u>3,479,286</u>	<u><b>3,848,715</b></u>	<u>3,247,268</u>
<b>TRANSFERS FOR CAPITAL</b>			
Federal government transfers	192,312	<b>192,311</b>	1,151,940
Provincial government transfers	2,696,857	<b>2,814,328</b>	4,833,953
Local government transfers	573,750	<b>256,911</b>	437,460
	<u>3,462,919</u>	<u><b>3,263,550</b></u>	<u>6,423,353</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 6,942,205</u>	<u><b>\$ 7,112,265</b></u>	<u>\$ 9,670,621</u>

See notes to financial statements

**TOWN OF EDSON**  
**Consolidated Schedule of Expenses by Object**  
**Year Ended December 31, 2011**

**(Schedule 4)**

	Budget unaudited	2011	2010
<b>EXPENSES</b>			
Salaries, wages and benefits	\$ 6,091,660	\$ <b>6,056,685</b>	\$ 5,735,538
Contracted and general services	6,034,563	<b>5,142,087</b>	8,854,930
Purchases from other governments	1,750,649	<b>1,827,212</b>	1,597,151
Materials, goods, supplies, and utilities	2,257,996	<b>2,551,724</b>	2,317,633
Transfers to local boards and agencies	245,163	<b>245,163</b>	217,298
Transfers to individuals and organizations	801,565	<b>821,364</b>	1,236,614
Bank charges and short-term interest	7,000	<b>7,765</b>	6,345
Interest on capital long-term debt	318,711	<b>304,962</b>	327,540
Other expenditures	132,824	<b>89,782</b>	108,633
Amortization of tangible capital assets	2,168,669	<b>2,319,540</b>	2,168,669
Net loss on sale of tangible capital assets	-	<b>22,787</b>	44,019
	<b>\$ 19,808,800</b>	<b>\$ 19,389,071</b>	<b>\$ 22,614,370</b>

See notes to financial statements

**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2011**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

Use of Estimates

The preparation of financial statements in conformity with Canadian 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.

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.

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**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2011**

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

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.

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

Prepaid Local Improvement Charges

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

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

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**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2011**

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

Landfill Closure and Post-Closure Liability

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

Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

1. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

2. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

3. Inventories

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

4. Cultural and Historical Tangible Capital Assets

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

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**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2011**

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

Tangible capital assets

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

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

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

2. CASH AND TEMPORARY INVESTMENTS

	<u>2011</u>	<u>2010</u>
Cash	\$ 7,217,760	\$ 5,588,285
Temporary investments	<u>200,000</u>	<u>200,000</u>
	<u>\$ 7,417,760</u>	<u>\$ 5,788,285</u>

Temporary investments are short-term deposits with original maturities of one year or less. Included in the above balances are \$1,861,889 (2010 - \$2,034,219) of funds which are restricted in use. The temporary investments have a fair market value of \$202,517 (2010 - \$201,826). Temporary investments have effective interest rates of 1.950%-1.960% (2010 - 1.400%) and all mature by May 9, 2012.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2011</u>	<u>2010</u>
Current taxes and grants in lieu	\$ 414,994	\$ 537,797
Tax arrears and grants in lieu	92,895	70,824
Forfeited land taxes	<u>296,430</u>	<u>297,271</u>
Subtotal	804,319	905,892
Less: allowance for doubtful accounts	<u>(66,242)</u>	<u>(66,242)</u>
	<u>\$ 738,077</u>	<u>\$ 839,650</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 (\$296,430) and the allowance established for uncollectible taxes (\$66,242) is \$230,188. Future sales proceeds on these lands are anticipated to be sufficient to cover this difference.

**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2011**

4. OTHER FINANCIAL ASSETS

	2011	2010
Accrued interest on investments	\$ 10,303	\$ 8,690
School requisition underlevy	10,273	4,320
	\$ 20,576	\$ 13,010

5. EMPLOYEE BENEFIT OBLIGATIONS

	2011	2010
Vacation pay	\$ 389,305	\$ 343,781
Overtime	2,609	2,859
	\$ 391,914	\$ 346,640

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

6. DEFERRED REVENUE

	2011	2010
Prepaid local improvement charges	\$ 128,636	\$ 116,278
Conditional government grants	1,740,501	1,651,111
Unearned revenue	128,985	128,880
	\$ 1,998,122	\$ 1,896,269

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

The use of conditional government grants is restricted to eligible capital projects, as approved under the funding agreements, which are scheduled for completion in 2012.

**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2011**

7. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the existing site is estimated at 650,000 tonnes. The estimated remaining capacity of the landfill site is 238,846 tonnes (2010 – 263,824 tonnes). The existing landfill site is expected to reach capacity in approximately 2021.

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

	2011	2010
<b>Dry Waste</b>		
Estimated closure costs	<b>\$ 1,121,857</b>	<b>\$ 1,019,870</b>
Estimated capacity remaining	<b>36.75 %</b>	40.58 %
Portion of total liability remaining to be recognized	<b>\$ 412,282</b>	<b>\$ 413,863</b>
Estimated capacity used	<b>63.25 %</b>	59.42 %
Estimated dry waste liability	<b>\$ 709,575</b>	<b>\$ 606,045</b>
<b>Wet Waste</b>		
Estimated post closure costs	<b>\$ 189,396</b>	<b>\$ 172,178</b>
Estimated wet waste liability	<b>\$ 189,396</b>	<b>\$ 172,178</b>
Total closure and post closure costs	<b>\$ 898,971</b>	<b>\$ 778,223</b>
Less: Yellowhead County contribution	<b>(109,830)</b>	<b>(92,856)</b>
	<b>\$ 789,141</b>	<b>\$ 685,367</b>

The Yellowhead County has entered into an agreement with the Town of Edson whereby the County has committed to sharing the future landfill closure costs based on 25% of the closure costs multiplied by the years the landfill has been in operation divided by the years the County has used the landfill.

**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2011**

8. LONG-TERM DEBT

	2011	2010
Tax supported debt	\$ 1,618,694	\$ 489,724
Special levy supported debt	5,607,345	5,784,543
	<b>\$ 7,226,039</b>	<b>\$ 6,274,267</b>

Principal and interest payments are due as follows:

	Principal	Interest	Total
2012	\$ 740,858	\$ 303,921	\$ 1,044,779
2013	539,239	279,231	818,470
2014	557,026	261,444	818,470
2015	575,559	242,911	818,470
2016	594,872	223,598	818,470
Thereafter	4,218,485	1,417,100	5,635,585
	<b>\$ 7,226,039</b>	<b>\$ 2,728,205</b>	<b>\$ 9,954,244</b>

Debenture debt is repayable to the Alberta Capital Financing Authority and bears interest at rates ranging from 1.65% to 5.875% per annum, and mature in periods 2012 through 2032. Long-term debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$298,190 (2010 - \$327,540).

The town's total cash payments for interest in 2011 were \$296,917 (2010 - \$338,115).

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:

	2011	2010
Total debt limit	\$ 29,144,061	\$ 27,306,555
Total debt	(7,626,039)	(6,274,267)
Amount of debt limit unused	<b>\$ 21,518,022</b>	<b>\$ 21,032,288</b>
Debt servicing limit	\$ 4,857,343	\$ 4,551,093
Debt servicing	(1,044,779)	(751,917)
Amount of debt servicing limit unused	<b>\$ 3,812,564</b>	<b>\$ 3,799,176</b>

*(continues)*

**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2011**

9. DEBT LIMITS *(continued)*

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

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2011	2010
Tangible capital assets (Schedule 1)	<b>\$ 114,594,974</b>	\$ 106,769,384
Accumulated amortization (Schedule 1)	<b>(48,795,168)</b>	(46,501,910)
Long-term debt	<b>(7,226,039)</b>	(6,274,267)
	<b>\$ 58,573,767</b>	\$ 53,993,207

11. ACCUMULATED SURPLUS

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

	2011	2010
Unrestricted surplus	<b>\$ 2,050,964</b>	\$ 1,849,551
Restricted surplus - operating	<b>2,969,344</b>	2,584,457
Restricted surplus - capital	<b>2,025,474</b>	2,904,204
Equity in capital assets	<b>58,573,767</b>	53,993,207
	<b>\$ 65,619,549</b>	\$ 61,331,419

**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
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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	2011	2010
Mayor Greg Pasychny	\$ 30,149	\$ 3,077	\$ 33,226	\$ 26,828
Councillor B. Boyce	20,479	2,574	23,053	15,138
Councillor L. Connolly	18,979	1,760	20,739	18,623
Councillor A. Delisle	-	-	-	9,017
Councillor L. Friesen	-	-	-	12,569
Councillor J. Gomuwka	16,355	2,304	18,659	13,614
Councillor K. Zahara	18,331	1,847	20,178	16,425
Councillor G. Chouinard	17,777	2,197	19,974	4,316
Councillor T. Strang	17,114	1,425	18,539	4,264
CAO	167,115	37,453	204,568	191,957
Contract Assessor	63,000	-	63,000	63,000

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

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

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

13. LOCAL AUTHORITIES PENSION PLAN

Employees of the town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The Plan serves about 189,000 members and 411 employers. 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 9.49% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan, and 13.13% of pensionable earnings above this amount. Employees of the town are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.13% on pensionable salary above this amount.

Total current service contributions by the Town of Edson to the LAPP in 2011 were \$366,460 (2010 - \$333,339). Total current service contributions by the employees of the Town of Edson to the LAPP in 2011 were \$331,065 (2010 - \$299,520).

As at December 31, 2010, the Plan disclosed an actuarial deficiency of \$4.6 billion.

**TOWN OF EDSON**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2011**

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14. FINANCIAL INSTRUMENTS

Fair Value

The company's carrying value of cash and temporary investments, receivables, accounts payable, accrued liabilities, deposit liabilities, and deferred revenue, approximates its fair value due to the immediate or short term maturity of these instruments.

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.

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

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15. COMMITMENTS

The town is committed to making annual payments of \$60,000 for assessment services ending June 2012.

The town is also committed to a service agreement with a company for the provision of detecting traffic violations and issuing citations to alleged violators within town limits, ending October 2012.

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16. CONTINGENT LIABILITY

The Town of Edson is a member of the Alberta Local Authorities Reciprocal Insurance Exchange and MUNIX. Under the terms of membership, the Town of Edson could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The Town of Edson is a partner in the West Yellowhead Regional Waste Management Authority. The town will be liable for its share of any future unfunded landfill reclamation costs.

The Town of Edson has guaranteed a loan of the Kinsmen Club of Edson (a non profit organization) in the amount of \$440,000. At December 31, 2011, the loan balance was \$400,000 and in accordance with all lending covenants.

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17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

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18. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

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