

Mergaert, Barford, Williams & Joly
Chartered Accountants

TOWN OF EDSON
Consolidated Financial Statements
Year Ended December 31, 2012

TOWN OF EDSON
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Year Ended December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Members of council

We have audited the accompanying consolidated financial statements of Town of Edson, which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of operations, changes in accumulated surplus, net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

(continues)



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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Town of Edson as at December 31, 2012, and the results of its operations, change in its accumulated surplus, net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Mergaert, Barford, Williams & Joly

Edson, Alberta
March 26, 2013

CHARTERED ACCOUNTANTS

TOWN OF EDSON
Consolidated Statement of Financial Position
December 31, 2012

	2012	2011
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 12,473,018	\$ 7,417,760
Receivables		
Taxes and grants in place of taxes (Note 3)	668,792	738,077
Trade and other receivables	4,408,740	4,255,302
Land held for resale	1,391,160	1,406,936
Inventory held for resale	13,723	6,855
Long term investments	30	30
Other financial assets (Note 4)	30,509	20,576
Other long term assets	13,750	20,950
	<u>18,999,722</u>	<u>13,866,486</u>
LIABILITIES		
Accounts payable and accrued liabilities	2,762,455	3,222,540
Deposit liabilities	1,312,983	1,311,539
Deferred revenue (Note 6)	1,887,278	1,998,122
Provision for landfill closure (Note 7)	876,992	789,141
Other long-term liabilities	149,599	149,599
Long term debt (Note 8)	16,038,424	7,226,039
	<u>23,027,731</u>	<u>14,696,980</u>
NET FINANCIAL DEBT	<u>(4,028,009)</u>	<u>(830,494)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets(schedule 1)	74,968,735	65,799,806
Prepaid expenses	13,503	260,335
Inventory for consumption	429,349	389,902
	<u>75,411,587</u>	<u>66,450,043</u>
ACCUMULATED SURPLUS (Note 11)	<u>\$ 71,383,578</u>	<u>\$ 65,619,549</u>
COMMITMENTS AND CONTINGENCIES (Notes 15, 16)		

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Operations
Year Ended December 31, 2012

	Budget (Unaudited)	2012	2011
REVENUE			
Net municipal taxes (Schedule 2)	\$ 9,737,446	\$ 9,660,398	\$ 9,261,494
Government operating transfers (Schedule 3)	4,808,003	4,623,816	3,848,715
User fees and sales of goods	4,121,651	4,073,232	3,815,551
Investment income	60,750	96,996	63,226
Penalties and costs on taxes	112,000	101,984	138,990
Licenses and permits	89,200	86,212	86,034
Fines	718,500	943,106	874,588
Franchise fees	566,146	667,405	637,133
Rentals	479,607	571,931	391,783
Other	-	23,578	25,743
Development levies	30,000	21,000	18,000
Contributions - operating	120,000	120,000	220,506
Gain on sale of tangible capital assets	-	161,041	-
	<u>20,843,303</u>	<u>21,150,699</u>	<u>19,381,763</u>
EXPENSES			
Legislative	238,050	201,612	239,011
General administration	1,596,508	1,587,173	1,730,507
Protective services	3,459,989	3,557,238	3,326,678
Roads, streets, and equipment	5,191,955	4,511,068	4,488,436
Utilities	3,478,052	3,531,247	3,237,268
Public health and welfare	580,288	630,422	620,561
Planning and development	511,270	351,388	516,279
Recreation and parks	3,748,670	3,707,703	3,368,468
Culture	880,564	862,814	1,861,863
	<u>19,685,346</u>	<u>18,940,665</u>	<u>19,389,071</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES FROM OPERATIONS	<u>1,157,957</u>	<u>2,210,034</u>	<u>(7,308)</u>
OTHER INCOME			
Government capital transfers (Schedule 3)	4,065,571	3,553,995	3,263,550
Contributed capital assets	-	-	1,031,888
	<u>4,065,571</u>	<u>3,553,995</u>	<u>4,295,438</u>
EXCESS OF REVENUE OVER EXPENSES	<u>5,223,528</u>	<u>5,764,029</u>	<u>4,288,130</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>65,619,549</u>	<u>65,619,549</u>	<u>61,331,419</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 70,843,077</u>	<u>\$ 71,383,578</u>	<u>\$ 65,619,549</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, 2012

	Unrestricted Surplus	Restricted Surplus	Equity in TCA	2012	2011
BALANCE - BEGINNING OF PERIOD	\$ 2,050,964	\$ 4,994,818	\$ 58,573,767	\$ 65,619,549	\$ 61,331,419
Excess of revenue over expenses	5,764,029	-	-	5,764,029	4,288,130
Unrestricted funds designated for future use	(3,676,212)	3,676,212	-	-	-
Restricted funds used for operations	588,168	(588,168)	-	-	-
Restricted funds used for tangible capital assets	-	(863,059)	863,059	-	-
Current year funds used for tangible capital assets	(10,976,970)	-	10,976,970	-	-
Disposal of tangible capital assets	84,796	-	(84,796)	-	-
Annual amortization expense	2,586,303	-	(2,586,303)	-	-
Long term debt repaid	(740,858)	-	740,858	-	-
Proceeds from long term debt	9,553,243	-	(9,553,243)	-	-
Debenture proceeds restricted for future expenditures	(2,730,755)	2,730,755	-	-	-
BALANCE - END OF PERIOD	\$ 2,502,708	\$ 9,950,558	\$ 58,930,312	\$ 71,383,578	\$ 65,619,549

See notes to financial statements

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

TOWN OF EDSON
Consolidated Statement of Change in Net Financial Assets (Debt)
Year Ended December 31, 2012

	2012	2011
EXCESS OF REVENUE OVER EXPENSES	\$ 5,764,029	\$ 4,288,130
Loss on sale	-	22,787
Gain on sale	(161,041)	-
Acquisition of tangible capital assets	(11,832,507)	(7,874,656)
Write down of tangible capital assets	19,137	-
Proceeds on disposal of tangible capital assets	219,180	-
Amortization of tangible capital assets	2,586,303	2,319,540
	<u>(9,168,928)</u>	<u>(5,532,329)</u>
Change in supplies inventory	(39,446)	(73,736)
Change in prepaid assets	246,830	(155,259)
	<u>207,384</u>	<u>(228,995)</u>
(INCREASE) DECREASE IN NET DEBT	(3,197,515)	(1,473,194)
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	(830,494)	642,700
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ (4,028,009)	\$ (830,494)

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Cash Flows
Year Ended December 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 5,764,029	\$ 4,288,130
Items not affecting cash:		
Amortization of tangible capital assets	2,586,303	2,319,540
Loss on disposal of tangible capital assets	-	22,787
Gain on sale of tangible capital assets	(161,041)	-
Write down of tangible capital assets	19,137	-
	<u>8,208,428</u>	<u>6,630,457</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes	69,285	101,573
Trade and other receivables	(153,438)	908,453
Land held for resale	15,776	16,276
Inventory held for resale	(6,868)	2,641
Inventory for consumption	(39,447)	(73,733)
Prepaid expenses	246,832	(155,259)
Other financial assets	(9,933)	(7,566)
Other long term assets	7,200	8,276
Accounts payable and accrued liabilities	(460,086)	579,443
Deposit liabilities	1,444	336,176
Deferred revenue	(110,844)	101,853
Provision for landfill closure	87,851	103,774
	<u>(352,228)</u>	<u>1,921,907</u>
Cash flow from operating activities	<u>7,856,200</u>	<u>8,552,364</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(11,832,507)	(7,874,656)
Proceeds on disposal of tangible capital assets	219,180	-
Cash flow used by investing activities	<u>(11,613,327)</u>	<u>(7,874,656)</u>
FINANCING ACTIVITIES		
Proceeds from long term financing	9,553,243	1,400,000
Repayment of long term debt	(740,858)	(448,233)
Cash flow from financing activities	<u>8,812,385</u>	<u>951,767</u>
INCREASE IN CASH FLOW	5,055,258	1,629,475
Cash - beginning of year	<u>7,417,760</u>	<u>5,788,285</u>
CASH - END OF YEAR (Note 2)	\$ 12,473,018	\$ 7,417,760

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, 2012

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2011
COST							
BALANCE, BEGINNING OF YEAR	\$ 9,586,288	\$ 11,491,049	\$ 11,609,580	\$ 76,010,420	\$ 3,591,236	\$ 2,306,401	\$ 114,594,974
Acquisition of tangible capital assets	70,416	2,340,504	523,800	2,412,901	929,470	445,616	6,181,157
Construction in progress	-	(1,219,862)	(137,701)	6,374,646	92,717	-	5,109,800
Disposal of tangible capital assets	(53,992)	-	-	(9,080)	-	-	(63,072)
Write down of tangible capital assets	-	-	-	(19,137)	-	-	(19,137)
BALANCE, END OF YEAR	\$ 9,602,712	\$ 12,611,691	\$ 11,995,679	\$ 84,769,750	\$ 4,613,423	\$ 2,752,017	\$ 126,345,272
ACCUMULATED AMORTIZATION							
BALANCE, BEGINNING OF YEAR	\$ -	\$ 3,611,773	\$ 3,596,407	\$ 38,767,051	\$ 1,879,827	\$ 940,110	\$ 48,795,168
Annual amortization	-	368,502	286,514	1,467,592	281,352	182,343	2,586,303
Accumulated amortization on disposals	-	-	-	(4,934)	-	-	(4,934)
BALANCE, END OF YEAR	\$ -	\$ 3,980,275	\$ 3,882,921	\$ 40,229,709	\$ 2,161,179	\$ 1,122,453	\$ 51,376,537
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 9,602,712	\$ 8,631,416	\$ 8,112,758	\$ 44,540,041	\$ 2,452,244	\$ 1,629,564	\$ 74,968,735
2011 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 9,586,288	\$ 7,879,276	\$ 8,013,173	\$ 37,243,369	\$ 1,711,409	\$ 1,366,291	\$ 65,799,806

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, 2012

	Budget (Unaudited)	2012	2011
TAXATION			
Real property taxes	\$ 11,499,177	\$ 11,475,620	\$ 10,899,476
Linear property taxes	505,899	505,839	473,353
Government grants in place of property taxes	284,703	259,350	251,429
Special assessments and local improvement taxes	699,508	671,430	660,309
	<u>12,989,287</u>	<u>12,912,239</u>	<u>12,284,567</u>
REQUISITIONS			
Grande Yellowhead Public School Division	2,742,507	2,742,507	2,530,511
Living Waters Catholic Regional Division	355,444	355,444	345,046
Evergreens Seniors Foundation	153,890	153,890	147,516
	<u>3,251,841</u>	<u>3,251,841</u>	<u>3,023,073</u>
NET MUNICIPAL TAXES	<u>\$ 9,737,446</u>	<u>\$ 9,660,398</u>	<u>\$ 9,261,494</u>

TOWN OF EDSON
Consolidated Schedule of Government Transfers **(Schedule 3)**
Year Ended December 31, 2012

	Budget (Unaudited)	2012	2011
TRANSFERS FOR OPERATING			
Federal government transfers	\$ 500	\$ 600	\$ 127,420
Provincial government transfers	934,290	869,619	868,272
Local government transfers	3,873,213	3,753,597	2,853,023
	<u>4,808,003</u>	<u>4,623,816</u>	<u>3,848,715</u>
TRANSFERS FOR CAPITAL			
Federal government transfers	-	-	192,311
Provincial government transfers	3,475,621	2,700,971	2,814,328
Local government transfers	589,950	853,024	256,911
	<u>4,065,571</u>	<u>3,553,995</u>	<u>3,263,550</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 8,873,574</u>	<u>\$ 8,177,811</u>	<u>\$ 7,112,265</u>

TOWN OF EDSON
Consolidated Schedule of Expenses by Object
Year Ended December 31, 2012

(Schedule 4)

	Budget (Unaudited)	2012	2011
EXPENSES			
Salaries, wages and benefits	\$ 6,272,048	\$ 6,137,571	\$ 6,056,685
Contracted and general services	5,055,821	4,265,896	5,142,087
Purchases from other governments	1,933,822	1,914,848	1,827,212
Materials, goods, supplies, and utilities	2,356,300	2,256,649	2,551,724
Transfers to local boards and agencies	284,970	284,970	245,163
Transfers to individuals and organizations	1,015,716	1,001,226	821,364
Bank charges and short-term interest	9,300	11,144	7,765
Interest on capital long-term debt	349,293	342,489	304,962
Other expenditures	139,442	139,569	89,782
Amortization of tangible capital assets	2,319,540	2,586,303	2,319,540
Net loss on sale of tangible capital assets	-	-	22,787
	\$ 19,736,252	\$ 18,940,665	\$ 19,389,071

See notes to financial statements

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2012

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 polices adopted by the town are as follows:

Reporting Entity

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

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

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

Basis of Accounting

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

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

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

Use of Estimates

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

Cash and temporary investments

Cash includes cash and temporary investments. Temporary investments are investments in guaranteed investment certificates with a term of less than one year. They are valued at cost plus accrued interest.

(continues)

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2012

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

Investments

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

Debt Charges Recoverable

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

Requisition Over-levy and Under-levy

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

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

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

Land for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, 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.

(continues)

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2012

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.

(continues)

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2012

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>2012</u>	<u>2011</u>
Cash	\$ 12,273,018	\$ 7,217,760
Temporary investments	200,000	200,000
	<u>\$ 12,473,018</u>	<u>\$ 7,417,760</u>

Temporary investments are short-term deposits with original maturities of one year or less. Included in the above balances are \$1,747,503 (2011 - \$1,861,889) of funds which are restricted in use. The temporary investments have a fair market value of \$202,586 (2011 - \$202,517). Temporary investments have effective interest rates of 2% (2011 - 1.950% to 1.960%) and mature May 9, 2013.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2012</u>	<u>2011</u>
Current taxes and grants in lieu	\$ 357,537	\$ 414,994
Tax arrears and grants in lieu	79,473	92,895
Forfeited land taxes	298,024	296,430
	<u>735,034</u>	<u>804,319</u>
Subtotal	735,034	804,319
Less: allowance for doubtful accounts	(66,242)	(66,242)
	<u>\$ 668,792</u>	<u>\$ 738,077</u>

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2012

4. OTHER FINANCIAL ASSETS

	2012	2011
Accrued interest on investments	\$ 15,942	\$ 10,303
School requisition underlevy	14,567	10,273
	\$ 30,509	\$ 20,576

5. EMPLOYEE BENEFIT OBLIGATIONS

	2012	2011
Vacation pay	\$ 398,207	\$ 389,305
Overtime	4,808	2,609
	\$ 403,015	\$ 391,914

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

	2012	2011
Prepaid local improvement charges	\$ 150,932	\$ 128,636
Conditional government grants	1,607,466	1,740,501
Unearned revenue	128,880	128,985
	\$ 1,887,278	\$ 1,998,122

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 2013.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2012

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 189,144 tonnes (2011 – 238,846 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.

	2012	2011
Dry Waste		
Estimated closure costs	\$ 1,121,857	\$ 1,121,857
Estimated capacity remaining	29.23 %	36.75 %
Portion of total liability remaining to be recognized	\$ 327,919	\$ 412,282
Estimated capacity used	70.77 %	63.25 %
Estimated dry waste liability	\$ 793,938	\$ 709,575
Wet Waste		
Estimated post closure costs	\$ 208,336	\$ 189,396
Estimated wet waste liability	\$ 208,336	\$ 189,396
Total closure and post closure costs	\$ 1,002,274	\$ 898,971
Less: Yellowhead County contribution	(125,282)	(109,830)
	\$ 876,992	\$ 789,141

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, 2012

8. LONG-TERM DEBT

	2012	2011
Tax supported debt	\$ 10,682,369	\$ 1,618,694
Special levy supported debt	5,356,055	5,607,345
	\$ 16,038,424	\$ 7,226,039

Principal and interest payments are due as follows:

	Principal	Interest	Total
2013	\$ 2,387,207	\$ 430,268	\$ 2,817,475
2014	2,435,816	381,659	2,817,475
2015	2,485,685	331,790	2,817,475
2016	2,536,857	280,618	2,817,475
2017	2,295,310	229,303	2,524,613
Thereafter	3,897,549	1,212,427	5,109,976
	\$ 16,038,424	\$ 2,866,065	\$ 18,904,489

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 2016 through 2032. Long-term debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$342,489 (2011 - \$298,190).

The town's total cash payments for interest in 2012 were \$303,921 (2011 - \$296,917).

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:

	2012	2011
Total debt limit	\$ 33,005,583	\$ 29,144,061
Total debt	(16,038,424)	(7,626,039)
Total debt guaranteed	(310,000)	(400,000)
Amount of debt limit unused	\$ 16,657,159	\$ 21,118,022
Debt servicing limit	\$ 5,500,931	\$ 4,857,343
Debt servicing	(2,817,475)	(1,044,779)
Amount of debt servicing limit unused	\$ 2,683,456	\$ 3,812,564

(continues)

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2012

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

	2012	2011
Tangible capital assets (Schedule 1)	\$126,345,273	\$114,594,974
Accumulated amortization (Schedule 1)	(51,376,537)	(48,795,168)
Long-term debt	(16,038,424)	(7,226,039)
	\$ 58,930,312	\$ 58,573,767

11. ACCUMULATED SURPLUS

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

	2012	2011
Unrestricted surplus	\$ 2,502,708	\$ 2,050,964
Restricted surplus - operating	3,199,289	2,969,344
Restricted surplus - capital	4,020,514	2,025,474
Debenture proceeds retracted for future expenditures	2,730,755	-
Equity in capital assets	58,930,312	58,573,767
	\$ 71,383,578	\$ 65,619,549

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2012

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	2012	2011
Mayor Greg Pasychny	\$ 29,189	\$ 4,904	\$ 34,093	\$ 33,226
Councilor B. Boyce	19,711	5,629	25,340	23,053
Councilor L. Connolly	17,519	1,048	18,567	20,739
Councilor J. Gomuwka	14,813	4,118	18,931	18,659
Councilor K. Zahara	9,353	899	10,252	20,178
Councilor G. Chouinard	17,752	3,542	21,294	19,974
Councilor T. Strang	25,154	7,757	32,911	18,539
CAO	171,606	36,217	207,823	204,568
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 214,328 members and 423 employers as at December 2011. 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 9.91% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan, and 13.74% of pensionable earnings above this amount. Employees of the town are required to make current service contributions of 8.91% of pensionable salary up to the year's maximum pensionable salary and 12.74% on pensionable salary above this amount.

Total current service contributions by the Town of Edson to the LAPP in 2012 were \$354,487 (2011 - \$366,460). Total current service contributions by the employees of the Town of Edson to the LAPP in 2012 were \$321,564 (2011 - \$331,065).

As at December 31, 2011, the Plan disclosed an actuarial deficiency of \$4.6 billion.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2012

14. FINANCIAL INSTRUMENTS

Fair Value

The town's financial instruments consist of cash and temporary investments, receivables, accounts payable and accrued liabilities and deposit liabilities. The carrying value of these instruments approximate their fair value due to their immediate or short term maturity.

The carrying value of the long term debt approximates the fair value as the interest rates are consistent with the current rates offered to the municipality for debt with similar terms.

Credit Risk

The town is subject to credit risk to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the town provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

15. COMMITMENTS

The town is committed to making annual payments of \$60,000 for assessment services ending June 2013.

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 2015.

The town has entered into contracts for the provision of services for infrastructure projects that were not completed in 2012. At December 31, 2012 outstanding commitments on these contracts were:

1. Ruel Brothers Contracting Inc. - \$2,273,971
 2. Davidson Power Line Construction - \$475,467
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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). At December 31, 2012, the loan balance was \$310,000 and in accordance with all lending covenants.

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.
