

Mergaert, Barford, Williams & Joly
Chartered Accountants

TOWN OF EDSON
Consolidated Financial Statements
Year Ended December 31, 2014

TOWN OF EDSON
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Year Ended December 31, 2014

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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, 2014 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, 2014, 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
April 14, 2015

CHARTERED ACCOUNTANTS

TOWN OF EDSON
Consolidated Statement of Financial Position
December 31, 2014

	2014	2013
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 11,661,418	\$ 12,416,185
Receivables		
Property taxes <i>(Note 3)</i>	467,881	347,037
Trade and other receivables <i>(Note 4)</i>	3,759,153	3,256,264
Land held for resale	1,513,540	1,784,666
Inventory held for resale	13,041	9,951
Other financial assets <i>(Note 5)</i>	26,763	19,442
Other long term assets	-	7,450
	17,441,796	17,840,995
LIABILITIES		
Accounts payable and accrued liabilities	1,968,569	2,660,149
Deposit liabilities	1,367,194	1,383,152
Deferred revenue <i>(Note 7)</i>	491,873	1,498,431
Provision for landfill closure <i>(Note 8)</i>	1,105,551	1,002,026
Other long-term liabilities	149,599	149,599
Long term debt <i>(Note 9)</i>	11,763,975	14,257,794
	16,846,761	20,951,151
NET FINANCIAL ASSETS (DEBT)	595,035	(3,110,156)
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(schedule 1)</i>	83,854,193	78,948,492
Prepaid expenses	46,057	11,102
Inventory for consumption	549,933	438,098
Equity investment in WYRWMA <i>(Note 11)</i>	950,153	-
	85,400,336	79,397,692
ACCUMULATED SURPLUS <i>(Note 13)</i>	\$ 85,995,371	\$ 76,287,536
COMMITMENTS AND CONTINGENCIES <i>(Notes 17, 18)</i>		

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Operations
Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013
REVENUE			
Net municipal taxes (<i>Schedule 2</i>)	\$ 10,444,378	\$ 10,504,359	\$ 9,975,959
Government operating transfers (<i>Schedule 3</i>)	6,679,397	7,211,102	4,771,361
User fees and sales of goods	4,871,831	5,078,625	5,041,207
Investment income	81,000	135,038	134,968
Penalties and costs on taxes	117,000	111,709	129,049
Licenses and permits	94,500	100,002	96,033
Fines	889,250	901,529	1,001,779
Franchise fees	634,879	765,087	709,619
Rentals	555,000	746,295	641,115
Development levies	-	599,451	47,420
Contributions - operating	100,000	100,000	100,000
Other	38,490	35,892	24,624
Gain on sale of tangible capital assets	-	-	4,056
Equity income from WYRWMA	-	174,542	-
	<u>24,505,725</u>	<u>26,463,631</u>	<u>22,677,190</u>
EXPENSES			
Legislative	270,100	265,210	214,200
General administration	2,099,572	2,005,666	1,675,132
Protective services	4,266,878	4,166,245	3,925,999
Roads, streets, and equipment	5,468,832	5,119,662	4,976,648
Utilities	3,760,626	3,763,128	3,687,391
Public health and welfare	698,135	706,550	668,920
Planning and development	858,044	703,205	1,196,354
Recreation and parks	4,552,740	3,852,840	4,196,296
Culture	579,552	582,422	573,142
	<u>22,554,479</u>	<u>21,164,928</u>	<u>21,114,082</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES FROM OPERATIONS	1,951,246	5,298,703	1,563,108
OTHER INCOME			
Government capital transfers (<i>Schedule 3</i>)	7,887,924	3,633,520	3,340,850
EXCESS OF REVENUE OVER EXPENSES	9,839,170	8,932,223	4,903,958
ACCUMULATED SURPLUS, BEGINNING OF YEAR	76,287,536	76,287,536	71,383,578
WYRWMA opening equity	-	775,612	-
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 86,126,706</u>	<u>\$ 85,995,371</u>	<u>\$ 76,287,536</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, 2014

	Unrestricted Surplus	Restricted Surplus	Equity in TCA	2014	2013
BALANCE - BEGINNING OF PERIOD	\$ 2,030,918	\$ 9,565,920	\$ 64,690,698	\$ 76,287,536	\$ 71,383,578
Excess of revenue over expenses	8,932,223	-	-	8,932,223	4,903,958
Opening equity WYRWMA (Note 11)	775,612	-	-	775,612	-
Unrestricted funds designated for future use	(7,688,156)	7,688,156	-	-	-
Restricted funds used for operations	450,114	(450,114)	-	-	-
Restricted funds used for tangible capital assets	-	(5,587,571)	5,587,571	-	-
Current year funds used for tangible capital assets	(2,289,855)	-	2,289,855	-	-
Disposal of tangible capital assets	148,958	-	(148,958)	-	-
Annual amortization expense	2,822,768	-	(2,822,768)	-	-
Long term debt repaid	(2,493,820)	-	2,493,820	-	-
BALANCE - END OF PERIOD	\$ 2,688,762	\$ 11,216,391	\$ 72,090,218	\$ 85,995,371	\$ 76,287,536

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Change in Net Financial Assets (Debt)
Year Ended December 31, 2014

	2014	2013
EXCESS OF REVENUE OVER EXPENSES	\$ 8,932,223	\$ 4,903,958
Loss on sale	126,608	-
Gain on sale	-	(4,056)
Acquisition of tangible capital assets	(7,877,426)	(7,206,677)
Write down of tangible capital assets	-	374,472
Proceeds on disposal of tangible capital assets	22,350	74,001
Amortization of tangible capital assets	2,822,768	2,782,504
Equity income from WYRWMA	(174,542)	-
	<u>(5,080,242)</u>	<u>(3,979,756)</u>
Change in supplies inventory	(111,835)	(8,749)
Change in prepaid assets	(34,955)	2,400
	<u>(146,790)</u>	<u>(6,349)</u>
DECREASE IN NET DEBT	3,705,191	917,853
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	(3,110,156)	(4,028,009)
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ 595,035	\$ (3,110,156)

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Cash Flows
Year Ended December 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 8,932,223	\$ 4,903,958
Items not affecting cash:		
Amortization of tangible capital assets	2,822,768	2,782,504
Loss on disposal of tangible capital assets	126,608	-
Gain on sale of tangible capital assets	-	(4,056)
Equity income from WYRWMA	(174,542)	-
	<u>11,707,057</u>	<u>7,682,406</u>
Changes in non-cash working capital:		
Property taxes receivable	(120,844)	321,755
Trade and other receivables	(502,889)	1,152,476
Land held for resale	271,126	(393,506)
Inventory held for resale	(3,090)	3,772
Inventory for consumption	(111,835)	(8,749)
Prepaid expenses	(34,955)	2,401
Other financial assets	(7,321)	11,097
Other long term assets	7,450	6,300
Accounts payable and accrued liabilities	(691,579)	(102,307)
Deposit liabilities	(15,958)	70,169
Deferred revenue	(1,006,558)	(388,847)
Provision for landfill closure	103,525	125,034
	<u>(2,112,928)</u>	<u>799,595</u>
Cash flow from operating activities	<u>9,594,129</u>	<u>8,482,001</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(7,877,426)	(7,206,677)
Proceeds on disposal of tangible capital assets	22,350	74,001
Transfer of tangible capital assets to land held for resale	-	374,472
Cash flow used by investing activities	<u>(7,855,076)</u>	<u>(6,758,204)</u>
FINANCING ACTIVITIES		
Proceeds from long term financing	-	635,100
Repayment of long term debt	(2,493,820)	(2,415,730)
Cash flow used by financing activities	<u>(2,493,820)</u>	<u>(1,780,630)</u>
DECREASE IN CASH FLOW	(754,767)	(56,833)
Cash - beginning of year	<u>12,416,185</u>	<u>12,473,018</u>
CASH - END OF YEAR (Note 2)	<u>\$ 11,661,418</u>	<u>\$ 12,416,185</u>

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Tangible Capital Assets *(Schedule 1)*
Year Ended December 31, 2014

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2014	2013
COST								
BALANCE, BEGINNING OF YEAR	\$ 9,721,089	\$ 13,597,974	\$ 12,788,064	\$ 88,785,711	\$ 4,983,263	\$ 2,870,244	\$132,746,345	\$126,345,272
Acquisition of tangible capital assets	41,395	358,418	214,505	3,595,419	2,711,281	78,605	6,999,623	4,628,473
Construction in progress	-	47,724	-	830,079	-	-	877,803	2,578,204
Disposal of tangible capital assets	-	-	-	(467,453)	(57,998)	(45,508)	(570,959)	(431,132)
Transfer of capital assets to land held for resale	-	-	-	-	-	-	-	(374,472)
BALANCE, END OF YEAR	\$ 9,762,484	\$ 14,004,116	\$ 13,002,569	\$ 92,743,756	\$ 7,636,546	\$ 2,903,341	\$140,052,812	\$132,746,345
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	\$ -	\$ 4,400,101	\$ 4,166,397	\$ 41,730,266	\$ 2,289,415	\$ 1,211,674	\$ 53,797,853	\$ 51,376,537
Annual amortization	-	469,473	319,453	1,425,973	414,500	193,369	2,822,768	2,782,504
Accumulated amortization on disposals	-	-	-	(327,313)	(55,808)	(38,881)	(422,002)	(361,188)
BALANCE, END OF YEAR	\$ -	\$ 4,869,574	\$ 4,485,850	\$ 42,828,926	\$ 2,648,107	\$ 1,366,162	\$ 56,198,619	\$ 53,797,853
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 9,762,484	\$ 9,134,542	\$ 8,516,719	\$ 49,914,830	\$ 4,988,439	\$ 1,537,179	\$ 83,854,193	\$ 78,948,492
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 9,721,089	\$ 9,197,873	\$ 8,621,667	\$ 47,055,445	\$ 2,693,848	\$ 1,658,570		\$ 78,948,492

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Property and Other Taxes *(Schedule 2)*
Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013
TAXATION			
Real property taxes	\$ 12,207,134	\$ 12,194,939	\$ 11,796,240
Linear property taxes	490,052	490,052	523,034
Government grants in place of property taxes	236,237	236,237	247,171
Special assessments and local improvement taxes	670,636	742,812	653,032
	<u>13,604,059</u>	<u>13,664,040</u>	<u>13,219,477</u>
REQUISITIONS			
Grande Yellowhead Public School Division	2,693,115	2,693,115	2,743,593
Living Waters Catholic Regional Division	325,786	325,786	349,759
Evergreens Seniors Foundation	140,780	140,780	150,166
	<u>3,159,681</u>	<u>3,159,681</u>	<u>3,243,518</u>
NET MUNICIPAL TAXES	<u>\$ 10,444,378</u>	<u>\$ 10,504,359</u>	<u>\$ 9,975,959</u>

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Government Transfers **(Schedule 3)**
Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013
TRANSFERS FOR OPERATING			
Federal government transfers	\$ 1,000	\$ 2,000	\$ 2,000
Provincial government transfers	825,251	840,945	862,571
Local government transfers	5,853,146	6,368,157	3,906,790
	<u>6,679,397</u>	<u>7,211,102</u>	<u>4,771,361</u>
TRANSFERS FOR CAPITAL			
Provincial government transfers	3,316,924	3,448,374	3,340,850
Local government transfers	4,571,000	185,146	-
	<u>7,887,924</u>	<u>3,633,520</u>	<u>3,340,850</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 14,567,321</u>	<u>\$ 10,844,622</u>	<u>\$ 8,112,211</u>

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Expenses by Object **(Schedule 4)**
Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013
EXPENSES			
Salaries, wages and benefits	\$ 7,264,899	\$ 6,869,261	\$ 6,534,416
Contracted and general services	5,145,411	4,537,319	4,557,603
Purchases from other governments	2,426,375	2,458,156	2,287,553
Materials, goods, supplies, and utilities	2,569,750	2,347,429	2,449,376
Transfers to local boards and agencies	330,537	327,632	274,400
Transfers to individuals and organizations	1,429,394	1,142,789	1,334,385
Bank charges and short-term interest	11,200	13,853	11,522
Interest on capital long-term debt	380,992	380,992	428,067
Other expenditures	213,416	138,121	454,256
Amortization of tangible capital assets	2,782,505	2,822,768	2,782,504
Net loss on sale of tangible capital assets	-	126,608	-
	\$ 22,554,479	\$ 21,164,928	\$ 21,114,082

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

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

Included with the municipality is a percentage of the West Yellowhead Regional Waste Management Authority which is recorded using the modified equity method.

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

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

Basis of Accounting

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

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

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

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.

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TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

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

Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue.

(continues)

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

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

Prepaid Local Improvement Charges

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

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

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

Landfill Closure and Post-Closure Liability

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

Government Transfers

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

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

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TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

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

Non-Financial Assets

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

1. Contributions of Tangible Capital Assets

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

2. Leases

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

3. Inventories

Inventories held for consumption are recorded at the lower of cost and net realizable value with cost being determined on an average cost basis.

4. Cultural and Historical Tangible Capital Assets

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

Tangible capital assets

Tangible capital assets are 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.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

2. CASH AND TEMPORARY INVESTMENTS

	2014	2013
Cash	\$ 11,461,418	\$ 12,216,185
Temporary investments	200,000	200,000
	\$ 11,661,418	\$ 12,416,185

Temporary investments are short-term deposits with original maturities of one year or less. Included in the above balances are \$493,774 (2013 - \$1,357,951) of funds which are restricted in use for future capital projects (\$351,621) and the public reserve trust (\$142,153).

The temporary investments have a fair market value of \$202,298 (2013 - \$202,101). Temporary investments have effective interest rates of 1.75% to 1.85% (2013 - 1.6% -1.65%) and mature May 12, 2015.

3. PROPERTY TAXES RECEIVABLE

	2014	2013
Current tax receivable	\$ 383,430	\$ 324,895
Tax arrears	150,693	88,384
Subtotal	534,123	413,279
Allowance for doubtful accounts	(66,242)	(66,242)
	\$ 467,881	\$ 347,037

4. TRADE AND OTHER RECEIVABLES

	2014	2013
Trade accounts receivable	\$ 3,550,499	\$ 3,108,446
GST receivable	236,768	175,932
Subtotal	3,787,267	3,284,378
Allowance for doubtful accounts	(28,114)	(28,114)
	\$ 3,759,153	\$ 3,256,264

5. OTHER FINANCIAL ASSETS

	2014	2013
Accrued interest	\$ 15,700	\$ 14,847
School requisition under levy	11,033	4,565
AMFC shares	30	30
	\$ 26,763	\$ 19,442

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

6. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2014</u>	<u>2013</u>
Vacation pay accrued	\$ 389,530	\$ 438,038
Banked overtime accrued	2,453	7,165
	<u>\$ 391,983</u>	<u>\$ 445,203</u>

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.

7. DEFERRED REVENUE

	<u>2014</u>	<u>2013</u>
Prepaid local improvement charges	\$ 140,252	\$ 152,691
Conditional government grants	222,481	1,216,860
Unearned revenue	129,140	128,880
	<u>\$ 491,873</u>	<u>\$ 1,498,431</u>

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 2015.

TOWN OF EDSON
Notes to Consolidated Financial Statements
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8. 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 162,078 tonnes (2013 – 165,680 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.

	2014	2013
Dry Waste		
Estimated closure costs	\$ 1,357,448	\$ 1,234,043
Estimated capacity remaining	24.94 %	25.49 %
Portion of total liability remaining to be recognized	\$ 338,548	\$ 314,558
Estimated capacity used	75.06 %	74.51 %
Estimated dry waste liability	\$ 1,018,900	\$ 919,485
Wet Waste		
Estimated post closure costs	\$ 252,086	\$ 229,169
Estimated wet waste liability	\$ 252,086	\$ 229,169
Total closure and post closure costs	\$ 1,270,986	\$ 1,148,654
Less: Yellowhead County contribution	(165,435)	(146,628)
	\$ 1,105,551	\$ 1,002,026

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
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9. LONG-TERM DEBT

	2014	2013
Tax supported debt	\$ 6,400,325	\$ 8,559,039
Special levy supported debt	5,363,650	5,698,755
	\$ 11,763,975	\$ 14,257,794

Principal and interest payments are due as follows:

	Principal	Interest	Total
2015	\$ 2,544,988	\$ 343,689	\$ 2,888,677
2016	2,597,490	291,188	2,888,678
2017	2,357,302	238,514	2,595,816
2018	400,434	196,378	596,812
2019	418,790	178,021	596,811
Thereafter	3,444,971	862,998	4,307,969
	\$ 11,763,975	\$ 2,110,788	\$ 13,874,763

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 \$ 380,992 (2013 - \$428,067).

The town's total cash payments for interest in 2014 were \$ 394,858 (2013 - \$437,346).

10. 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:

	2014	2013
Total debt limit	\$ 39,973,164	\$ 32,916,668
Total debt	(11,763,975)	(14,257,794)
Total debt guaranteed	(220,000)	(230,000)
Amount of debt limit unused	\$ 27,989,189	\$ 18,428,874
Debt servicing limit	\$ 6,662,194	\$ 5,486,111
Debt servicing	(2,888,677)	(2,888,678)
Amount of debt servicing limit unused	\$ 3,773,517	\$ 2,597,433

(continues)

TOWN OF EDSON
Notes to Consolidated Financial Statements
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10. 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.

11. WYRWMA Equity

The town is a 25% voting member of the West Yellowhead Regional Waste Management Authority (WYRWMA) which was established to construct, maintain, control and manage a regional solid waste disposal system. The authority is set up to be self sustaining and charges fees based on usage. However, any annual net operating deficits are to be funded by the members based on the percentage of each members tonnes deposited.

As of January 1, 2014 the town's voting structure for the WYRWMA changed requiring the town to record the investment on a modified equity basis. According to PSAB 2510, the change is recorded effective the date of the status change with no restatement of prior periods. The town's share of the WYRWMA's opening surplus has been recorded as an increase to opening equity of \$775,611.

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2014	2013
Tangible capital assets (Schedule 1)	\$140,052,812	\$132,746,345
Accumulated amortization (Schedule 1)	(56,198,619)	(53,797,853)
Long-term debt	(11,763,975)	(14,257,794)
	\$ 72,090,218	\$ 64,690,698

13. ACCUMULATED SURPLUS

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

	2014	2013
Unrestricted surplus	\$ 1,738,609	\$ 2,030,918
WYRWMA surplus	950,153	-
Restricted surplus - operating	3,453,552	3,401,647
Restricted surplus - capital	7,762,839	6,066,956
Debenture proceeds retracted for future expenditures	-	97,317
Equity in tangible capital assets	72,090,218	64,690,698
	\$ 85,995,371	\$ 76,287,536

TOWN OF EDSON
Notes to Consolidated Financial Statements
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14. 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	2014	2013
Mayor Greg Pasychny	\$ 36,336	\$ 3,370	\$ 39,706	\$ 32,025
Councilor T. Bevan	22,383	3,610	25,993	5,985
Councilor B. Boyce	21,619	1,659	23,278	26,608
Councilor L. Connolly	-	-	-	13,961
Councilor G. Chouinard	22,600	4,645	27,245	22,360
Councilor J. Gomuwka	21,149	3,975	25,124	19,317
Councilor T. Strang	26,434	5,193	31,627	29,381
Councilor J. Walker	-	-	-	3,552
Councilor J. Wilkinson	19,865	2,169	22,034	3,959
CAO	216,082	35,850	251,932	208,525
Contract Assessor	69,300	-	69,300	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.

15. 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 230,534 members and 418 employers as at December 2013. 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 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan, and 15.84% of pensionable earnings above this amount. Employees of the town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Town of Edson to the LAPP in 2014 were \$468,412 (2013 - \$406,659). Total current service contributions by the employees of the Town of Edson to the LAPP in 2014 were \$430,530 (2013 - \$370,656).

As at December 31, 2013, the Plan disclosed an actuarial deficiency of \$4.861 billion.

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Notes to Consolidated Financial Statements
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16. 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 or credit risk arising from these financial statements.

17. COMMITMENTS

The town is committed to making annual payments of \$72,000 for assessment services ending June 30, 2015.

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 2014. At December 31, 2014 outstanding commitments on these contracts were:

1. AECOM Canada Ltd - \$110,181
-

18. 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, 2014, the loan balance was \$220,000 and in arrears. Subsequent to year end the town made a payment of \$80,000 plus interest to bring the loan into accordance with all lending covenants.

19. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
