

Mergaert, Barford, Williams & Joly
Chartered Accountants

TOWN OF EDSON
Consolidated Financial Statements
Year Ended December 31, 2015

TOWN OF EDSON
Index to Consolidated Financial Statements
Year Ended December 31, 2015

| | Page |
|---|---------|
| INDEPENDENT AUDITOR'S REPORT | 1 - 2 |
| FINANCIAL STATEMENTS | |
| Consolidated Statement of Financial Position | 3 |
| Consolidated Statement of Operations | 4 |
| Consolidated Statement of Changes in Accumulated Surplus | 5 |
| Consolidated Statement of Change in Net Financial Assets (Debt) | 6 |
| Consolidated Statement of Cash Flows | 7 |
| Consolidated Schedule of Tangible Capital Assets (<i>Schedule 1</i>) | 8 |
| Consolidated Schedule of Property and Other Taxes (<i>Schedule 2</i>) | 9 |
| Consolidated Schedule of Government Transfers (<i>Schedule 3</i>) | 10 |
| Consolidated Schedule of Expenses by Object (<i>Schedule 4</i>) | 11 |
| Notes to Consolidated Financial Statements | 12 - 23 |

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, 2015 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, 2015, 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 6, 2016

CHARTERED ACCOUNTANTS

TOWN OF EDSON
Consolidated Statement of Financial Position
December 31, 2015

| | 2015 | 2014 |
|--|----------------------|---------------|
| FINANCIAL ASSETS | | |
| Cash and temporary investments <i>(Note 2)</i> | \$ 13,180,208 | \$ 11,511,496 |
| Receivables | | |
| Property taxes <i>(Note 3)</i> | 570,714 | 467,881 |
| Trade and other receivables <i>(Note 4)</i> | 3,672,448 | 3,759,153 |
| Land held for resale | 1,485,237 | 1,513,540 |
| Inventory held for resale | 10,168 | 13,041 |
| Other financial assets <i>(Note 5)</i> | 12,234 | 26,763 |
| | 18,931,009 | 17,291,874 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 3,142,766 | 1,968,569 |
| Deposit liabilities | 772,530 | 1,217,272 |
| Deferred revenue <i>(Note 7)</i> | 393,953 | 491,873 |
| Provision for landfill closure <i>(Note 8)</i> | 1,105,551 | 1,105,551 |
| Other long-term liabilities | 422,099 | 149,599 |
| Long term debt <i>(Note 9)</i> | 9,218,986 | 11,763,975 |
| | 15,055,885 | 16,696,839 |
| NET FINANCIAL ASSETS | 3,875,124 | 595,035 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets <i>(schedule 1)</i> | 86,505,999 | 83,854,193 |
| Prepaid expenses | 40,989 | 46,057 |
| Inventory for consumption | 492,388 | 549,933 |
| Equity investment in WYRWMA <i>(Note 11)</i> | 1,215,611 | 950,153 |
| | 88,254,987 | 85,400,336 |
| ACCUMULATED SURPLUS <i>(Note 13)</i> | \$ 92,130,111 | \$ 85,995,371 |
| COMMITMENTS AND CONTINGENCIES <i>(Notes 18, 19)</i> | | |

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Operations
Year Ended December 31, 2015

| | Budget (Unaudited) | 2015 | 2014 |
|--|-----------------------|-----------------------------|----------------------|
| REVENUE | | | |
| Net municipal taxes (<i>Schedule 2</i>) | \$ 10,820,294 | \$ 10,767,500 | \$ 10,504,359 |
| Government operating transfers (<i>Schedule 3</i>) | 8,105,281 | 7,734,577 | 7,211,102 |
| User fees and sales of goods | 4,565,481 | 4,413,845 | 5,078,625 |
| Investment income | 81,000 | 112,130 | 135,038 |
| Penalties and costs on taxes | 117,000 | 122,909 | 111,709 |
| Licenses and permits | 94,000 | 87,386 | 100,002 |
| Fines | 908,250 | 1,528,933 | 901,529 |
| Franchise fees | 741,368 | 783,541 | 765,087 |
| Rentals | 618,400 | 676,697 | 746,295 |
| Development levies | - | 120,102 | 599,451 |
| Contributions - operating | 100,000 | 100,000 | 100,000 |
| Other | - | 282,346 | 35,892 |
| Equity income from WYRWMA | - | 265,458 | 174,542 |
| | <u>26,151,074</u> | <u>26,995,424</u> | <u>26,463,631</u> |
| EXPENSES | | | |
| Legislative | 270,100 | 244,084 | 265,210 |
| General administration | 1,780,890 | 1,831,265 | 2,005,666 |
| Protective services | 4,482,907 | 5,088,573 | 4,166,245 |
| Roads, streets, and equipment | 5,671,199 | 5,641,352 | 5,119,662 |
| Utilities | 4,017,287 | 4,765,727 | 3,763,128 |
| Public health and welfare | 757,682 | 771,483 | 706,550 |
| Planning and development | 694,639 | 522,929 | 703,205 |
| Recreation and parks | 4,903,815 | 4,755,041 | 3,852,840 |
| Culture | 694,440 | 720,015 | 582,422 |
| | <u>23,272,959</u> | <u>24,340,469</u> | <u>21,164,928</u> |
| EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES FROM OPERATIONS | 2,878,115 | 2,654,955 | 5,298,703 |
| OTHER INCOME | | | |
| Government capital transfers (<i>Schedule 3</i>) | 2,985,815 | 3,479,785 | 3,633,520 |
| EXCESS OF REVENUE OVER EXPENSES | 5,863,930 | 6,134,740 | 8,932,223 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | 85,995,371 | 85,995,371 | 76,287,536 |
| WYRWMA opening equity | - | - | 775,612 |
| ACCUMULATED SURPLUS, END OF YEAR | <u>\$ 91,859,301</u> | <u>\$ 92,130,111</u> | <u>\$ 85,995,371</u> |

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Changes in Accumulated Surplus
Year Ended December 31, 2015

| | Unrestricted Surplus | Restricted Surplus | Equity in TCA | 2015 | 2014 |
|---|-------------------------|-----------------------|----------------------|----------------------|----------------------|
| BALANCE - BEGINNING OF PERIOD | \$ 2,688,762 | \$ 11,216,391 | \$ 72,090,218 | \$ 85,995,371 | \$ 76,287,536 |
| Excess of revenue over expenses | 6,134,740 | - | - | 6,134,740 | 8,932,223 |
| Opening equity WYRWMA (Note 11) | - | - | - | - | 775,612 |
| Unrestricted funds designated for future use | (6,456,699) | 6,456,699 | - | - | - |
| Restricted funds used for operations | 1,252,101 | (1,252,101) | - | - | - |
| Restricted funds used for tangible capital assets | - | (2,987,402) | 2,987,402 | - | - |
| Current year funds used for tangible capital assets | (3,289,445) | - | 3,289,445 | - | - |
| Disposal of tangible capital assets | 370,178 | - | (370,178) | - | - |
| Annual amortization expense | 3,254,862 | - | (3,254,862) | - | - |
| Long term debt repaid | (1,047,442) | (1,497,546) | 2,544,988 | - | - |
| BALANCE - END OF PERIOD | \$ 2,907,057 | \$ 11,936,041 | \$ 77,287,013 | \$ 92,130,111 | \$ 85,995,371 |

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Change in Net Financial Assets (Debt)
Year Ended December 31, 2015

| | 2014 | 2013 |
|--|---------------------|---------------------|
| EXCESS OF REVENUE OVER EXPENSES | \$ 6,134,740 | \$ 8,932,223 |
| Loss on disposal of tangible capital assets | 24,080 | 126,608 |
| Acquisition of tangible capital assets | (6,276,847) | (7,877,426) |
| Proceeds on disposal of tangible capital assets | 346,099 | 22,350 |
| Amortization of tangible capital assets | 3,254,862 | 2,822,768 |
| Equity income from WYRWMA | (265,458) | (174,542) |
| | <u>(2,917,264)</u> | <u>(5,080,242)</u> |
| Change in supplies inventory | 57,545 | (111,835) |
| Change in prepaid assets | 5,068 | (34,955) |
| | <u>62,613</u> | <u>(146,790)</u> |
| INCREASE IN NET DEBT | 3,280,089 | 3,705,191 |
| NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR | 595,035 | (3,110,156) |
| NET FINANCIAL ASSETS (DEBT) - END OF YEAR | \$ 3,875,124 | \$ 595,035 |

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Cash Flows
Year Ended December 31, 2015

| | 2015 | 2014 |
|---|-----------------------------|-----------------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenses | \$ 6,134,740 | \$ 8,932,223 |
| Items not affecting cash: | | |
| Amortization of tangible capital assets | 3,254,862 | 2,822,768 |
| Loss on disposal of tangible capital assets | 24,080 | 126,608 |
| Equity income from WYRWMA | (265,458) | (174,542) |
| | <u>9,148,224</u> | <u>11,707,057</u> |
| Changes in non-cash working capital: | | |
| Property taxes receivable | (102,833) | (120,844) |
| Trade and other receivables | 86,705 | (502,889) |
| Land held for resale | 28,303 | 271,126 |
| Inventory held for resale | 2,873 | (3,090) |
| Inventory for consumption | 57,545 | (111,835) |
| Prepaid expenses | 5,068 | (34,955) |
| Other financial assets | 14,529 | (7,321) |
| Other long term assets | - | 7,450 |
| Accounts payable and accrued liabilities | 1,174,196 | (691,579) |
| Deposit liabilities | (444,742) | (165,880) |
| Deferred revenue | (97,920) | (1,006,558) |
| Provision for landfill closure | - | 103,525 |
| Other long-term liabilities | 272,500 | - |
| | <u>996,224</u> | <u>(2,262,850)</u> |
| Cash flow from operating activities | <u>10,144,448</u> | <u>9,444,207</u> |
| INVESTING ACTIVITIES | | |
| Purchase of tangible capital assets | (6,276,847) | (7,877,426) |
| Proceeds on disposal of tangible capital assets | 346,099 | 22,350 |
| Cash flow used by investing activities | <u>(5,930,748)</u> | <u>(7,855,076)</u> |
| FINANCING ACTIVITY | | |
| Repayment of long term debt | (2,544,988) | (2,493,820) |
| INCREASE (DECREASE) IN CASH FLOW | 1,668,712 | (904,689) |
| Cash - beginning of year | <u>11,511,496</u> | <u>12,416,185</u> |
| CASH - END OF YEAR (Note 2) | <u>\$ 13,180,208</u> | <u>\$ 11,511,496</u> |

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Tangible Capital Assets (Schedule 1)
Year Ended December 31, 2015

| | Land | Land Improvements | Buildings | Engineered Structures | Machinery and Equipment | Vehicles | 2015 | 2014 |
|--|---------------------|---------------------|---------------------|-----------------------|-------------------------|---------------------|-----------------------|----------------------|
| COST | | | | | | | | |
| BALANCE, BEGINNING 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 |
| Acquisition of tangible capital assets | 278,473 | 760,111 | 87,765 | 3,026,695 | 1,141,100 | 69,615 | 5,363,759 | 6,999,623 |
| Construction in progress | - | 14,026 | 42,532 | 856,530 | - | - | 913,088 | 877,803 |
| Disposal of tangible capital assets | (73,135) | - | (49,970) | (408,534) | (150,245) | (298,446) | (980,330) | (570,959) |
| BALANCE, END OF YEAR | \$ 9,967,822 | \$ 14,778,253 | \$ 13,082,896 | \$ 96,218,447 | \$ 8,627,401 | \$ 2,674,510 | \$ 145,349,329 | \$ 140,052,812 |
| ACCUMULATED AMORTIZATION | | | | | | | | |
| BALANCE, BEGINNING OF YEAR | \$ - | \$ 4,869,574 | \$ 4,485,850 | \$ 42,828,926 | \$ 2,648,107 | \$ 1,366,162 | \$ 56,198,619 | \$ 53,797,853 |
| Annual amortization | - | 484,800 | 322,095 | 1,637,238 | 615,523 | 195,206 | 3,254,862 | 2,822,768 |
| Accumulated amortization on disposals | - | - | (24,569) | (216,624) | (150,245) | (218,713) | (610,151) | (422,002) |
| BALANCE, END OF YEAR | \$ - | \$ 5,354,374 | \$ 4,783,376 | \$ 44,249,540 | \$ 3,113,385 | \$ 1,342,655 | \$ 58,843,330 | \$ 56,198,619 |
| NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | \$ 9,967,822 | \$ 9,423,879 | \$ 8,299,520 | \$ 51,968,907 | \$ 5,514,016 | \$ 1,331,855 | \$ 86,505,999 | \$ 83,854,193 |
| 2014 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 |

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Property and Other Taxes *(Schedule 2)*
Year Ended December 31, 2015

| | Budget (Unaudited) | 2015 | 2014 |
|---|-----------------------|-----------------------------|----------------------|
| TAXATION | | | |
| Real property taxes | \$ 13,077,387 | \$ 12,783,777 | \$ 12,194,939 |
| Linear property taxes | 475,155 | 475,155 | 490,052 |
| Government grants in place of property taxes | 238,600 | 210,714 | 236,237 |
| Special assessments and local improvement taxes | 670,645 | 670,642 | 742,812 |
| | <u>14,461,787</u> | <u>14,140,288</u> | <u>13,664,040</u> |
| REQUISITIONS | | | |
| Grande Yellowhead Public School Division | 2,897,996 | 2,897,996 | 2,693,115 |
| Living Waters Catholic Regional Division | 333,278 | 333,278 | 325,786 |
| Evergreens Seniors Foundation | 410,219 | 141,514 | 140,780 |
| | <u>3,641,493</u> | <u>3,372,788</u> | <u>3,159,681</u> |
| NET MUNICIPAL TAXES | <u>\$ 10,820,294</u> | <u>\$ 10,767,500</u> | <u>\$ 10,504,359</u> |

TOWN OF EDSON
Consolidated Schedule of Government Transfers **(Schedule 3)**
Year Ended December 31, 2015

| | Budget (Unaudited) | 2015 | 2014 |
|-----------------------------------|-----------------------|---------------|---------------|
| TRANSFERS FOR OPERATING | | | |
| Federal government transfers | \$ 1,000 | \$ 2,500 | \$ 2,000 |
| Provincial government transfers | 831,066 | 872,399 | 840,945 |
| Local government transfers | 7,273,215 | 6,859,678 | 6,368,157 |
| | 8,105,281 | 7,734,577 | 7,211,102 |
| TRANSFERS FOR CAPITAL | | | |
| Provincial government transfers | 2,845,815 | 3,377,585 | 3,448,374 |
| Local government transfers | 140,000 | 102,200 | 185,146 |
| | 2,985,815 | 3,479,785 | 3,633,520 |
| TOTAL GOVERNMENT TRANSFERS | \$ 11,091,096 | \$ 11,214,362 | \$ 10,844,622 |

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Expenses by Object **(Schedule 4)**
Year Ended December 31, 2015

| | Budget (Unaudited) | 2015 | 2014 |
|---|-----------------------|----------------------|----------------------|
| EXPENSES | | | |
| Salaries, wages and benefits | \$ 7,563,209 | \$ 7,360,988 | \$ 6,869,260 |
| Contracted and general services | 5,233,147 | 5,236,142 | 4,551,786 |
| Purchases from other governments | 2,611,199 | 2,878,994 | 2,458,156 |
| Materials, goods, supplies, and utilities | 2,442,200 | 2,513,471 | 2,347,429 |
| Transfers to local boards and agencies | 351,736 | 351,736 | 327,632 |
| Transfers to individuals and organizations | 1,861,029 | 1,858,573 | 1,142,789 |
| Bank charges and short-term interest | 12,200 | 13,084 | 13,853 |
| Interest on capital long-term debt | 315,614 | 329,479 | 380,992 |
| Other expenditures | 100,120 | 262,195 | 123,655 |
| Amortization of tangible capital assets | 2,782,505 | 3,254,862 | 2,822,768 |
| Net loss on sale of tangible capital assets | - | 280,945 | 126,608 |
| | \$ 23,272,959 | \$ 24,340,469 | \$ 21,164,928 |

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

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.

(continues)

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

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, 2015

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.

(continues)

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

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, 2015

2. CASH AND TEMPORARY INVESTMENTS

| | 2015 | 2014 |
|-----------------------|---------------|---------------|
| Cash | \$ 12,980,208 | \$ 11,311,496 |
| Temporary investments | 200,000 | 200,000 |
| | \$ 13,180,208 | \$ 11,511,496 |

Temporary investments are short-term deposits with original maturities of one year or less. Included in the above balances are \$403,290 (2014 - \$493,774) of funds which are restricted in use for future capital projects and the public reserve trust.

The temporary investments have a fair market value of \$202,202 (2014 - \$202,298). Temporary investments have effective interest rates of 1.7% to 1.75% (2014 - 1.75% -1.85%) and mature May 12, 2016.

3. PROPERTY TAXES RECEIVABLE

| | 2015 | 2014 |
|---------------------------------|------------|------------|
| Current tax receivable | \$ 384,441 | \$ 383,430 |
| Tax arrears | 252,515 | 150,693 |
| Subtotal | 636,956 | 534,123 |
| Allowance for doubtful accounts | (66,242) | (66,242) |
| | \$ 570,714 | \$ 467,881 |

4. TRADE AND OTHER RECEIVABLES

| | 2015 | 2014 |
|---------------------------------|--------------|--------------|
| Trade accounts receivable | \$ 3,675,164 | \$ 3,550,499 |
| GST receivable | 175,214 | 236,768 |
| Subtotal | 3,850,378 | 3,787,267 |
| Allowance for doubtful accounts | (177,930) | (28,114) |
| | \$ 3,672,448 | \$ 3,759,153 |

5. OTHER FINANCIAL ASSETS

| | 2015 | 2014 |
|-------------------------------|-----------|-----------|
| Accrued interest | \$ 12,204 | \$ 15,700 |
| School requisition under levy | - | 11,033 |
| AMFC shares | 30 | 30 |
| | \$ 12,234 | \$ 26,763 |

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

6. EMPLOYEE BENEFIT OBLIGATIONS

| | <u>2015</u> | <u>2014</u> |
|-------------------------|-------------------|-------------------|
| Vacation pay accrued | \$ 432,533 | \$ 389,530 |
| Banked overtime accrued | 1,422 | 2,453 |
| | <u>\$ 433,955</u> | <u>\$ 391,983</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>2015</u> | <u>2014</u> |
|-----------------------------------|-------------------|-------------------|
| Prepaid local improvement charges | \$ 133,604 | \$ 140,252 |
| Conditional government grants | 128,540 | 222,481 |
| Unearned revenue | 131,809 | 129,140 |
| | <u>\$ 393,953</u> | <u>\$ 491,873</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 2016.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

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. In 2015 the Town of Edson made plans for an expanded landfill site. The total capacity of the expanded existing site is estimated at 788,000 tonnes. The estimated remaining capacity of the landfill site is 668,401 tonnes. The existing landfill site is expected to reach capacity in approximately 2040.

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

| | 2015 | 2014 |
|---|---------------------|---------------------|
| Dry Waste | | |
| Estimated closure costs | \$ 5,764,000 | \$ 1,357,448 |
| Estimated capacity remaining | 84.82 % | 24.94 % |
| Portion of total liability remaining to be recognized | \$ 4,889,025 | \$ 338,548 |
| Estimated capacity used | 15.18 % | 75.06 % |
| Estimated dry waste liability | \$ 874,975 | \$ 1,018,900 |
| Wet Waste | | |
| Estimated post closure costs | \$ 277,295 | \$ 252,086 |
| Estimated wet waste liability | \$ 277,295 | \$ 252,086 |
| Total closure and post closure costs | \$ 1,152,270 | \$ 1,270,986 |
| Less: Yellowhead County contribution | (152,852) | (165,435) |
| Contingency | 106,133 | - |
| | \$ 1,105,551 | \$ 1,105,551 |

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 County has used the landfill and divided by the years the landfill has been in operation.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

9. LONG-TERM DEBT

| | 2015 | 2014 |
|-----------------------------|---------------------|----------------------|
| Tax supported debt | \$ 4,205,637 | \$ 6,400,325 |
| Special levy supported debt | 5,013,349 | 5,363,650 |
| | \$ 9,218,986 | \$ 11,763,975 |

Principal and interest payments are due as follows:

| | Principal | Interest | Total |
|------------|---------------------|---------------------|----------------------|
| 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 |
| 2020 | 438,038 | 158,773 | 596,811 |
| Thereafter | 3,006,932 | 704,225 | 3,711,157 |
| | \$ 9,218,986 | \$ 1,767,099 | \$ 10,986,085 |

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 \$ 329,479 (2014 - \$380,992).

The town's total cash payments for interest in 2015 were \$ 343,689 (2014 - \$394,858).

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:

| | 2015 | 2014 |
|---------------------------------------|----------------------|----------------------|
| Total debt limit | \$ 39,702,652 | \$ 39,973,164 |
| Total debt | (9,218,986) | (11,763,975) |
| Total debt guaranteed | (57,456) | (220,000) |
| Amount of debt limit unused | \$ 30,426,210 | \$ 27,989,189 |
| Debt servicing limit | \$ 6,618,275 | \$ 6,662,194 |
| Debt servicing | (2,888,678) | (2,888,677) |
| Amount of debt servicing limit unused | \$ 3,729,597 | \$ 3,773,517 |

(continues)

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

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.

12. EQUITY IN TANGIBLE CAPITAL ASSETS

| | 2015 | 2014 |
|---------------------------------------|-----------------------|----------------|
| Tangible capital assets (Schedule 1) | \$ 145,349,329 | \$ 140,052,812 |
| Accumulated amortization (Schedule 1) | (58,843,330) | (56,198,619) |
| Long-term debt | (9,218,986) | (11,763,975) |
| | \$ 77,287,013 | \$ 72,090,218 |

13. ACCUMULATED SURPLUS

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

| | 2015 | 2014 |
|-----------------------------------|----------------------|---------------|
| Unrestricted surplus | \$ 1,691,446 | \$ 1,738,609 |
| WYRWMA surplus | 1,215,611 | 950,153 |
| Restricted surplus - operating | 2,752,308 | 3,453,552 |
| Restricted surplus - capital | 9,183,733 | 7,762,839 |
| Equity in tangible capital assets | 77,287,013 | 72,090,218 |
| | \$ 92,130,111 | \$ 85,995,371 |

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

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 | 2015 | 2014 |
|------------------------|-----------|----------|----------------|-----------|
| Mayor Greg Pasychny | \$ 36,551 | \$ 150 | \$ 36,701 | \$ 39,706 |
| Councilor T. Bevan | 23,694 | 150 | 23,844 | 25,993 |
| Councilor B. Boyce | 22,803 | 150 | 22,953 | 23,278 |
| Councilor G. Chouinard | 24,114 | 150 | 24,264 | 27,245 |
| Councilor J. Gomuwka | 19,709 | 150 | 19,859 | 25,124 |
| Councilor T. Strang | 24,296 | 150 | 24,446 | 31,627 |
| Councilor J. Wilkinson | 20,818 | 150 | 20,968 | 22,034 |
| CAO | 139,757 | 3,230 | 142,987 | 251,932 |
| Contract Assessor | 77,615 | - | 77,615 | 69,300 |

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 237,612 members and 423 employers as at December 2014. 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 2015 were \$499,843 (2014 - \$468,412). Total current service contributions by the employees of the Town of Edson to the LAPP in 2015 were \$459,949 (2014 - \$430,530).

As at December 31, 2014, the Plan disclosed an actuarial deficiency of \$2.455 billion.

16. TRUST ASSETS

The town is holding funds in trust for community organizations in the amount of \$172,622 (2014 - \$149,922). These amounts are not included in the assets or liabilities of the town.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

17. 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 fulfill 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.

18. COMMITMENTS

The town is committed to making annual payments for assessment services ending June 30, 2018 as follows:

2016 - \$80,467

2017 - \$82,144

2018 - \$41,491

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 November 2018.

19. 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, 2015, the loan balance was \$57,456.

20. SUBSEQUENT EVENTS

Subsequent to the fiscal year end the town acquired control of the Edson and District Recreation Complex land and building and the related operations.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

21. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
