

Mergaert, Barford, Williams, Joly & Starkevich
Chartered Accountants

TOWN OF EDSON
Consolidated Financial Statements
Year Ended December 31, 2016

TOWN OF EDSON
Index to Consolidated Financial Statements
Year Ended December 31, 2016

	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, 2016 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, 2016, 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 & Starkevich*

Edson, Alberta
April 18, 2017

CHARTERED ACCOUNTANTS

TOWN OF EDSON
Consolidated Statement of Financial Position
December 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 24,160,726	\$ 13,180,208
Receivables		
Property taxes <i>(Note 3)</i>	738,280	570,714
Trade and other receivables <i>(Note 4)</i>	3,621,629	3,672,448
Land held for resale	1,467,455	1,485,237
Inventory held for resale	733	10,168
Other financial assets <i>(Note 5)</i>	16,941	12,234
	30,005,764	18,931,009
LIABILITIES		
Accounts payable and accrued liabilities	2,987,228	3,142,766
Deposit liabilities	718,243	772,530
Deferred revenue <i>(Note 7)</i>	717,852	393,953
Provision for landfill closure <i>(Note 8)</i>	1,105,551	1,105,551
Other long-term liabilities	349,674	422,099
Long term debt <i>(Note 9)</i>	16,946,486	9,218,986
	22,825,034	15,055,885
NET FINANCIAL ASSETS	7,180,730	3,875,124
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(schedule 1)</i>	93,885,977	86,505,999
Prepaid expenses	62,200	40,989
Inventory for consumption	557,761	492,388
Equity investment in WYRWMA <i>(Note 11)</i>	1,258,639	1,215,611
	95,764,577	88,254,987
ACCUMULATED SURPLUS <i>(Note 13)</i>	\$102,945,307	\$ 92,130,111
COMMITMENTS AND CONTINGENCIES <i>(Notes 18, 19)</i>		

See notes to financial statements

Mergaert, Barford,
Williams, Joly & Starkevich
Chartered Accountants

TOWN OF EDSON
Consolidated Statement of Operations
Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
REVENUE			
Net municipal taxes <i>(Schedule 2)</i>	\$ 11,223,957	\$ 11,059,340	\$ 10,767,500
Government operating transfers <i>(Schedule 3)</i>	7,550,007	7,413,623	7,734,577
User fees and sales of goods	4,734,698	4,130,903	4,413,845
Investment income	81,000	116,742	112,130
Penalties and costs on taxes	117,000	163,388	122,909
Licenses and permits	89,500	67,526	87,386
Fines	916,250	2,134,054	1,528,933
Franchise fees	865,980	817,951	783,541
Rentals	756,685	723,446	676,697
Development levies	-	134,723	120,102
Contributions - operating	100,000	100,000	100,000
Other	63,740	101,537	282,346
Equity income from WYRWMA	-	43,028	265,458
	<u>26,498,817</u>	<u>27,006,261</u>	<u>26,995,424</u>
EXPENSES			
Legislative	287,700	253,598	244,084
General administration	1,961,686	1,932,389	1,831,265
Protective services	4,691,849	4,607,123	5,088,573
Roads, streets, and equipment	5,645,517	6,054,478	5,641,352
Utilities	4,138,296	4,081,279	4,765,727
Public health and welfare	717,689	792,609	771,483
Planning and development	600,148	430,274	522,929
Recreation and parks	4,697,696	4,796,247	4,755,041
Culture	679,104	689,259	720,015
	<u>23,419,685</u>	<u>23,637,256</u>	<u>24,340,469</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES FROM OPERATIONS	<u>3,079,132</u>	<u>3,369,005</u>	<u>2,654,955</u>
OTHER INCOME			
Government capital transfers <i>(Schedule 3)</i>	2,701,685	3,866,139	3,479,785
Contributed capital assets	-	3,580,052	-
	<u>2,701,685</u>	<u>7,446,191</u>	<u>3,479,785</u>
EXCESS OF REVENUE OVER EXPENSES	5,780,817	10,815,196	6,134,740
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>92,130,111</u>	<u>92,130,111</u>	<u>85,995,371</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 97,910,928</u>	<u>\$ 102,945,307</u>	<u>\$ 92,130,111</u>

See notes to financial statements

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TOWN OF EDSON
Consolidated Statement of Changes in Accumulated Surplus
Year Ended December 31, 2016

	Unrestricted Surplus	Restricted Surplus	Equity in TCA	2016	2015
BALANCE - BEGINNING OF PERIOD	\$ 2,907,057	\$ 11,936,041	\$ 77,287,013	\$ 92,130,111	\$ 85,995,371
Excess of revenue over expenses	10,815,196	-	-	10,815,196	6,134,740
Unrestricted funds designated for future use	(6,174,641)	6,174,641	-	-	-
Restricted funds used for operations	2,984,138	(2,984,138)	-	-	-
Restricted funds used for tangible capital assets	-	(2,607,545)	2,607,545	-	-
Current year funds used for tangible capital assets	(5,017,495)	-	5,017,495	-	-
Contributed tangible capital assets	(3,580,052)	-	3,580,052	-	-
Disposal of tangible capital assets	211,917	-	(211,917)	-	-
Annual amortization expense	3,613,197	-	(3,613,197)	-	-
Long term debt repaid	(2,597,490)	-	2,597,490	-	-
Proceeds from long term debt	10,324,990	-	(10,324,990)	-	-
Debenture proceeds restricted for future expenditures	(9,608,856)	9,608,856	-	-	-
BALANCE - END OF PERIOD	\$ 3,877,961	\$ 22,127,855	\$ 76,939,491	\$ 102,945,307	\$ 92,130,111

See notes to financial statements

**Mergaert, Barford,
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Chartered Accountants

TOWN OF EDSON
Consolidated Statement of Change in Net Financial Assets (Debt)
Year Ended December 31, 2016

	2016	2015
EXCESS OF REVENUE OVER EXPENSES	\$ 10,815,196	\$ 6,134,740
Loss on disposal of tangible capital assets	112,321	24,080
Acquisition of tangible capital assets	(11,205,092)	(6,276,847)
Proceeds on disposal of tangible capital assets	99,596	346,099
Amortization of tangible capital assets	3,613,197	3,254,862
Equity income from WYRWMA	(43,028)	(265,458)
	<u>(7,423,006)</u>	<u>(2,917,264)</u>
Change in supplies inventory	(65,372)	57,545
Change in prepaid assets	(21,212)	5,068
	<u>(86,584)</u>	<u>62,613</u>
INCREASE IN NET DEBT	3,305,606	3,280,089
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	3,875,124	595,035
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ 7,180,730	\$ 3,875,124

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Cash Flows
Year Ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 10,815,196	\$ 6,134,740
Items not affecting cash:		
Amortization of tangible capital assets	3,613,197	3,254,862
Loss on disposal of tangible capital assets	112,321	24,080
Equity income from WYRWMA	<u>(43,028)</u>	<u>(265,458)</u>
	14,497,686	9,148,224
Changes in non-cash working capital:		
Property taxes receivable	(167,566)	(102,833)
Trade and other receivables	50,819	86,705
Land held for resale	17,782	28,303
Inventory held for resale	9,435	2,873
Inventory for consumption	(65,373)	57,545
Prepaid expenses	(21,211)	5,068
Other financial assets	(4,707)	14,529
Accounts payable and accrued liabilities	(155,538)	1,174,196
Deposit liabilities	(54,287)	(444,742)
Deferred revenue	323,899	(97,920)
Other long-term liabilities	<u>(72,425)</u>	<u>272,500</u>
	(139,172)	996,224
Cash flow from operating activities	14,358,514	10,144,448
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(11,205,092)	(6,276,847)
Proceeds on disposal of tangible capital assets	<u>99,596</u>	<u>346,099</u>
Cash flow used by investing activities	(11,105,496)	(5,930,748)
FINANCING ACTIVITIES		
Proceeds from long term financing	10,324,990	-
Repayment of long term debt	<u>(2,597,490)</u>	<u>(2,544,988)</u>
Cash flow from (used by) financing activities	7,727,500	(2,544,988)
INCREASE IN CASH FLOW	10,980,518	1,668,712
Cash - beginning of year	<u>13,180,208</u>	<u>11,511,496</u>
CASH - END OF YEAR (Note 2)	\$ 24,160,726	\$ 13,180,208

See notes to financial statements

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TOWN OF EDSON
Consolidated Schedule of Tangible Capital Assets *(Schedule 1)*
Year Ended December 31, 2016

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2016	2015
COST								
BALANCE, BEGINNING 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
Acquisition of tangible capital assets	14,337	551,462	3,163,470	3,149,007	1,005,963	324,752	8,208,991	5,363,759
Construction in progress	-	124,454	246,808	2,568,485	56,354	-	2,996,101	913,088
Disposal of tangible capital assets	(58,611)	-	-	(655,713)	-	(40,143)	(754,467)	(980,330)
BALANCE, END OF YEAR	\$ 9,923,548	\$ 15,454,169	\$ 16,493,174	\$101,280,226	\$ 9,689,718	\$ 2,959,119	\$155,799,954	\$145,349,329
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	\$ -	\$ 5,354,374	\$ 4,783,376	\$ 44,249,540	\$ 3,113,385	\$ 1,342,655	\$ 58,843,330	\$ 56,198,619
Annual amortization	-	533,379	522,202	1,670,839	687,009	199,768	3,613,197	3,254,862
Accumulated amortization on disposals	-	(27,934)	-	(481,163)	-	(33,453)	(542,550)	(610,151)
BALANCE, END OF YEAR	\$ -	\$ 5,859,819	\$ 5,305,578	\$ 45,439,216	\$ 3,800,394	\$ 1,508,970	\$ 61,913,977	\$ 58,843,330
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 9,923,548	\$ 9,594,350	\$ 11,187,596	\$ 55,841,010	\$ 5,889,324	\$ 1,450,149	\$ 93,885,977	\$ 86,505,999
2015 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

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Property and Other Taxes *(Schedule 2)*
Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
TAXATION			
Real property taxes	\$ 13,850,879	\$ 13,756,923	\$ 12,783,777
Linear property taxes	404,996	404,981	475,155
Government grants in place of property taxes	170,746	170,751	210,714
Special assessments and local improvement taxes	677,802	664,487	670,642
	<u>15,104,423</u>	<u>14,997,142</u>	<u>14,140,288</u>
REQUISITIONS			
Grande Yellowhead Public School Division	3,076,575	3,064,603	2,897,996
Living Waters Catholic Regional Division	380,605	380,605	333,278
Evergreens Seniors Foundation	423,286	492,594	141,514
	<u>3,880,466</u>	<u>3,937,802</u>	<u>3,372,788</u>
NET MUNICIPAL TAXES	<u>\$ 11,223,957</u>	<u>\$ 11,059,340</u>	<u>\$ 10,767,500</u>

See notes to financial statements

**Mergaert, Barford,
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TOWN OF EDSON
Consolidated Schedule of Government Transfers **(Schedule 3)**
Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
TRANSFERS FOR OPERATING			
Federal government transfers	\$ 2,000	\$ 2,500	\$ 2,500
Provincial government transfers	896,388	860,531	872,399
Local government transfers	6,651,619	6,550,592	6,859,678
	7,550,007	7,413,623	7,734,577
TRANSFERS FOR CAPITAL			
Provincial government transfers	2,689,185	3,614,058	3,377,585
Local government transfers	12,500	252,081	102,200
	2,701,685	3,866,139	3,479,785
TOTAL GOVERNMENT TRANSFERS	\$ 10,251,692	\$ 11,279,762	\$ 11,214,362

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Expenses by Object **(Schedule 4)**
Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
EXPENSES			
Salaries, wages and benefits	\$ 8,305,101	\$ 8,093,631	\$ 7,360,988
Contracted and general services	5,011,446	5,486,789	5,236,142
Purchases from other governments	2,665,626	2,262,099	2,878,994
Materials, goods, supplies, and utilities	2,313,650	2,301,262	2,513,471
Transfers to local boards and agencies	336,900	341,850	351,736
Transfers to individuals and organizations	1,152,095	1,045,778	1,858,573
Bank charges and short-term interest	12,200	19,412	13,084
Interest on capital long-term debt	276,621	290,462	329,479
Other expenditures	91,185	70,455	262,195
Amortization of tangible capital assets	3,254,861	3,613,197	3,254,862
Net loss on sale of tangible capital assets	-	112,321	280,945
	\$ 23,419,685	\$ 23,637,256	\$ 24,340,469

See notes to financial statements

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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, 2016

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, 2016

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, 2016

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, 2016

2. CASH AND TEMPORARY INVESTMENTS

	2016	2015
Cash	\$ 23,960,726	\$ 12,980,208
Temporary investments	200,000	200,000
	\$ 24,160,726	\$ 13,180,208

Temporary investments are short-term deposits with original maturities of one year or less. Included in the above balances are \$363,153 (2015 - \$403,290) 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 \$202,288 (2015 - \$202,202). Temporary investments have effective interest rates of 1.8% (2015 - 1.7% -1.75%) and mature May 12, 2017.

3. PROPERTY TAXES RECEIVABLE

	2016	2015
Current tax receivable	\$ 520,756	\$ 384,440
Tax arrears	283,766	252,516
Subtotal	804,522	636,956
Allowance for doubtful accounts	(66,242)	(66,242)
	\$ 738,280	\$ 570,714

4. TRADE AND OTHER RECEIVABLES

	2016	2015
Trade accounts receivable	\$ 3,265,257	\$ 3,675,164
GST receivable	384,486	175,214
Subtotal	3,649,743	3,850,378
Allowance for doubtful accounts	(28,114)	(177,930)
	\$ 3,621,629	\$ 3,672,448

5. OTHER FINANCIAL ASSETS

	2016	2015
Accrued interest	\$ 16,911	\$ 12,204
AMFC shares	30	30
	\$ 16,941	\$ 12,234

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

6. EMPLOYEE BENEFIT OBLIGATIONS

	2016	2015
Vacation pay accrued	\$ 430,033	\$ 389,530
Banked overtime accrued	-	2,453
	\$ 430,033	\$ 391,983

The vacation and overtime liability is comprised of amounts 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

	2016	2015
Prepaid local improvement charges	\$ 498,266	\$ 133,604
Conditional government grants	218,801	128,540
Unearned revenue	785	131,809
	\$ 717,852	\$ 393,953

Prepaid local improvement charges are being amortized to revenue at various rates over the next sixteen 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 2017.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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 788,000 tonnes. The estimated remaining capacity of the landfill site is 617,394 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.

	2016	2015
Estimated closure costs	\$ 4,896,771	\$ 4,852,970
Estimated capacity remaining	78.35 %	81.01 %
Portion of total liability remaining to be recognized	\$ 3,836,620	\$ 3,931,391
Estimated capacity used	21.65 %	18.99 %
Estimated dry waste liability	\$ 1,060,151	\$ 921,579
Less: Yellowhead County contribution	\$ 1,060,151	\$ 921,579
Contingency	(200,368)	(152,852)
	245,768	336,824
	\$ 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 35% of the closure costs prorated for the years the County has used the landfill.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

9. LONG-TERM DEBT

	2016	2015
Debentures	\$ 16,946,486	\$ 9,218,986
Less: Current portion	(2,738,383)	(2,597,490)
	<u>\$ 14,208,103</u>	<u>\$ 6,621,496</u>

Principal and interest payments are due as follows:

	Principal	Interest	Total
2017	\$ 2,738,383	\$ 551,361	\$ 3,289,744
2018	793,258	497,482	1,290,740
2019	823,719	467,021	1,290,740
2020	855,444	435,296	1,290,740
2021	866,584	402,325	1,268,909
Thereafter	10,869,098	2,494,362	13,363,460
	<u>\$ 16,946,486</u>	<u>\$ 4,847,847</u>	<u>\$ 21,794,333</u>

Debenture debt is repayable to the Alberta Capital Financing Authority and bears interest at rates ranging from 1.661% to 5.875% per annum, and mature in periods 2017 through 2036. Long-term debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$290,463 (2015 - \$329,479).

The town's total cash payments for interest in 2016 were \$291,188 (2015 - \$343,689).

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:

	2016	2015
Total debt limit	\$ 40,509,391	\$ 39,702,652
Total debt	(16,946,486)	(9,218,986)
Total debt guaranteed	-	(57,456)
Amount of debt limit unused	<u>\$ 23,562,905</u>	<u>\$ 30,426,210</u>
Debt servicing limit	\$ 6,751,565	\$ 6,618,275
Debt servicing	(3,289,744)	(2,888,678)
Amount of debt servicing limit unused	<u>\$ 3,461,821</u>	<u>\$ 3,729,597</u>

(continues)

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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

	2016	2015
Tangible capital assets (Schedule 1)	\$155,799,954	\$145,349,329
Accumulated amortization (Schedule 1)	(61,913,977)	(58,843,330)
Long-term debt	(16,946,486)	(9,218,986)
	\$ 76,939,491	\$ 77,287,013

13. ACCUMULATED SURPLUS

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

	2016	2015
Unrestricted surplus	\$ 2,619,322	\$ 1,691,446
WYRWMA surplus	1,258,639	1,215,611
Restricted surplus - operating	2,951,375	2,752,308
Restricted surplus - capital	9,567,624	9,183,733
Debenture proceeds retracted for future expenditures	9,608,856	-
Equity in tangible capital assets	76,939,491	77,287,013
	\$102,945,307	\$ 92,130,111

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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	2016	2015
Mayor Greg Pasychny	\$ 36,000	\$ 1,015	\$ 37,015	\$ 36,701
Councilor T. Bevan	22,800	579	23,379	23,844
Councilor B. Boyce	23,384	-	23,384	22,953
Councilor G. Chouinard	23,384	579	23,963	24,264
Councilor J. Gomuwka	22,800	579	23,379	19,859
Councilor T. Strang	22,342	564	22,906	24,446
Councilor J. Wilkinson	22,800	579	23,379	20,968
CAO	147,000	52,879	199,879	142,987
Contract Assessor	80,950	-	80,950	77,615

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 244,621 members and 426 employers as at December 2015. 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 were \$564,666 (2015 - \$499,843). Total current service contributions by the employees of the Town of Edson to the LAPP were \$520,101 (2015 - \$459,949).

As at December 31, 2015, the Plan disclosed an actuarial deficiency of \$923 million.

16. TRUST ASSETS

The town is holding funds in trust for community organizations in the amount of \$73,884 (2015 - \$172,622). 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, 2016

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 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:

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.

The town has future commitments pertaining to agreements for capital asset projects with the following contractors:

Alpha Construction Inc. - \$12,639,649

Aecom Canada Ltd. - \$596,632

EDS Group Inc. - \$1,860

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.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

20. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
