

Mergaert, Barford, Williams, Joly & Starkevich
Chartered Professional Accountants

TOWN OF EDSON
Consolidated Financial Statements
Year Ended December 31, 2021

TOWN OF EDSON
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Year Ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members of council of the Town of Edson

Opinion

We have audited the consolidated financial statements of Town of Edson (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations, changes in accumulated surplus, net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2021, and the consolidated results of its operations, changes in accumulated surplus, net financial assets and cashflows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PSAS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Mergaert, Barford, Williams
Joly & Starkovich*

Edson, Alberta
April 19, 2022

CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF EDSON
Consolidated Statement of Financial Position
December 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 32,899,513	\$ 29,250,174
Receivables		
Property taxes <i>(Note 3)</i>	797,619	844,372
Trade and other receivables <i>(Note 4)</i>	2,995,880	3,384,141
Land held for resale	1,163,108	1,163,108
Inventory held for resale	1,136	990
Long term investments <i>(Note 5.)</i>	4,167,544	-
Other financial assets	32,484	18,515
Other long term assets	300,000	300,000
	42,357,284	34,961,300
LIABILITIES		
Accounts payable and accrued liabilities	2,805,892	2,473,773
Deposit liabilities	670,644	754,838
Deferred revenue <i>(Note 7)</i>	7,925,778	5,309,537
Provision for landfill closure <i>(Note 8)</i>	1,797,860	1,797,860
Other long-term liabilities	146,095	138,240
Long term debt <i>(Note 9)</i>	11,585,883	12,646,198
	24,932,152	23,120,446
NET FINANCIAL ASSETS	17,425,132	11,840,854
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(schedule 1)</i>	113,226,855	112,688,043
Prepaid expenses	63,986	199,684
Inventory for consumption	743,236	543,239
	114,034,077	113,430,966
ACCUMULATED SURPLUS <i>(Note 12)</i>	\$131,459,209	\$125,271,820
COMMITMENTS AND CONTINGENCIES <i>(Notes 19, 18)</i>		

See notes to financial statements

Mergaert, Barford,
Williams, Joly & Starkevich
Chartered Professional Accountants

TOWN OF EDSON
Consolidated Statement of Operations
Year Ended December 31, 2021

	Budget (Unaudited)	2021	2020
REVENUE			
Net municipal taxes <i>(Schedule 2)</i>	\$ 12,016,859	\$ 12,011,104	\$ 11,327,900
Government operating transfers <i>(Schedule 3)</i>	6,722,260	6,266,323	7,327,787
User fees and sales of goods	5,479,610	5,329,793	4,706,017
Investment income	128,000	135,895	172,824
Penalties and costs on taxes	155,000	158,104	154,132
Licenses and permits	77,900	79,399	79,559
Fines	1,294,800	1,528,264	1,027,427
Franchise fees	911,500	887,177	897,605
Rentals	543,400	496,638	531,748
Development levies	-	4,719	13,574
Contributions - operating	100,000	100,000	100,000
Other	13,500	2,046,822	318,500
West Yellowhead Regional Waste Management Authority	-	509,772	537,301
	<u>27,442,829</u>	<u>29,554,010</u>	<u>27,194,374</u>
EXPENSES			
Legislative	385,500	323,693	255,049
General administration	3,132,165	2,655,215	2,284,222
Protective services	4,731,768	4,959,202	4,867,195
Roads, streets, and equipment	6,002,332	6,252,750	5,240,532
Utilities	5,209,271	5,510,118	6,218,473
Public health and welfare	582,025	675,388	719,717
Planning and development	585,805	405,213	455,554
Recreation and parks	4,545,675	3,983,586	3,646,489
Culture	750,212	744,220	692,654
	<u>25,924,753</u>	<u>25,509,385</u>	<u>24,379,885</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES FROM OPERATIONS	<u>1,518,076</u>	<u>4,044,625</u>	<u>2,814,489</u>
OTHER INCOME			
Government capital transfers <i>(Schedule 3)</i>	7,568,980	2,142,764	857,090
Contributed capital assets	-	-	812,211
	<u>7,568,980</u>	<u>2,142,764</u>	<u>1,669,301</u>
EXCESS OF REVENUE OVER EXPENSES	9,087,056	6,187,389	4,483,790
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>125,271,820</u>	<u>125,271,820</u>	<u>120,788,030</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$134,358,876</u>	<u>\$131,459,209</u>	<u>\$125,271,820</u>

See notes to financial statements

Mergaert, Barford,
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Chartered Professional Accountants

TOWN OF EDSON
Consolidated Statement of Changes in Accumulated Surplus
Year Ended December 31, 2021

	Unrestricted Surplus	Restricted Surplus	Equity in TCA	2021	2020
BALANCE - BEGINNING OF PERIOD	\$ 169,298	\$ 25,060,677	\$100,041,845	\$125,271,820	\$120,788,030
Excess of revenue over expenses	6,187,389	-	-	6,187,389	4,483,790
Unrestricted funds designated for future use	(8,272,245)	8,272,245	-	-	-
Restricted funds used for operations	2,418,050	(2,418,050)	-	-	-
Restricted funds used for tangible capital assets	-	(2,186,954)	2,186,954	-	-
Current year funds used for tangible capital assets	(2,457,493)	-	2,457,493	-	-
Disposal of tangible capital assets	8,547	-	(8,547)	-	-
Annual amortization expense	4,097,088	-	(4,097,088)	-	-
Long term debt repaid	(1,060,315)	-	1,060,315	-	-
BALANCE - END OF PERIOD	\$ 1,090,319	\$ 28,727,918	\$101,640,972	\$131,459,209	\$125,271,820

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Change in Net Financial Assets (Debt)
Year Ended December 31, 2021

	Budget	2021	2020
EXCESS OF REVENUE OVER EXPENSES	\$ 9,087,056	\$ 6,187,389	\$ 4,483,790
Loss on disposal of tangible capital assets	-	8,547	7,831
Acquisition of tangible capital assets	(16,140,285)	(4,644,447)	(3,997,301)
Tangible capital assets transferred to land for resale	-	-	113,736
Amortization of tangible capital assets	3,793,630	4,097,088	4,015,812
	(12,346,655)	(538,812)	140,078
Change in supplies inventory	-	(199,997)	86,924
Change in prepaid assets	-	135,698	21,933
	-	(64,299)	108,857
INCREASE IN NET FINANCIAL ASSETS (DEBT)	(3,259,599)	5,584,278	4,732,725
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	11,840,854	11,840,854	7,108,129
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ 8,581,255	\$ 17,425,132	\$ 11,840,854

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Cash Flows
Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 6,187,389	\$ 4,483,790
Items not affecting cash:		
Amortization of tangible capital assets	4,097,088	4,015,812
Loss on disposal of tangible capital assets	8,547	7,831
	<u>10,293,024</u>	<u>8,507,433</u>
Changes in non-cash working capital:		
Property taxes receivable	46,753	166,825
Trade and other receivables	388,261	(494,181)
Land held for resale	-	61,787
Inventory held for resale	(146)	296
Inventory for consumption	(199,997)	86,921
Prepaid expenses	135,698	21,933
Other financial assets	(13,969)	27,789
Other long term assets	-	(300,000)
Accounts payable and accrued liabilities	332,119	(161,672)
Deposit liabilities	(84,194)	(97,660)
Deferred revenue	2,616,241	1,502,027
Provision for landfill closure	-	105,000
Other long-term liabilities	7,855	45,800
	<u>3,228,621</u>	<u>964,865</u>
Cash flow from operating activities	<u>13,521,645</u>	<u>9,472,298</u>
INVESTING ACTIVITY		
Purchase of long term investments	<u>(4,167,544)</u>	-
CAPITAL ACTIVITIES		
Proceeds from long term debt	-	705,597
Repayment of long term debt	(1,060,315)	(1,051,965)
Purchase of tangible capital assets	(4,644,447)	(3,997,301)
Transfer of tangible capital assets to land held for resale	-	113,736
Cash flow used by capital activities	<u>(5,704,762)</u>	<u>(4,229,933)</u>
INCREASE IN CASH FLOW	3,649,339	5,242,365
Cash - beginning of year	<u>29,250,174</u>	<u>24,007,809</u>
CASH - END OF YEAR (Note 2)	<u>\$ 32,899,513</u>	<u>\$ 29,250,174</u>

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Tangible Capital Assets (Schedule 1)
Year Ended December 31, 2021

	Land	Leasehold Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2021	2020
COST								
BALANCE, BEGINNING OF YEAR	\$ 9,935,403	\$ 20,007,501	\$ 18,047,591	\$ 123,440,834	\$ 14,894,834	\$ 3,209,052	\$ 189,535,215	\$ 185,822,874
Acquisition of tangible capital assets	-	750,344	720,568	2,980,594	192,941	-	4,644,447	3,050,178
Construction in progress	-	-	-	-	-	-	-	947,123
Disposal of tangible capital assets	-	(12,440)	-	(104,004)	-	-	(116,444)	(171,221)
Transfer of capital assets to land held for resale	-	-	-	-	-	-	-	(113,739)
BALANCE, END OF YEAR	\$ 9,935,403	\$ 20,745,405	\$ 18,768,159	\$ 126,317,424	\$ 15,087,775	\$ 3,209,052	\$ 194,063,218	\$ 189,535,215
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	\$ -	\$ 8,924,543	\$ 7,507,531	\$ 52,206,049	\$ 6,177,568	\$ 2,031,481	\$ 76,847,172	\$ 72,994,750
Annual amortization	-	723,702	395,217	1,917,007	916,138	145,024	4,097,088	4,015,812
Accumulated amortization on disposals	-	(5,140)	-	(102,757)	-	-	(107,897)	(163,390)
Adjustment	-	-	-	-	56,687	(56,687)	-	-
BALANCE, END OF YEAR	\$ -	\$ 9,643,105	\$ 7,902,748	\$ 54,020,299	\$ 7,150,393	\$ 2,119,818	\$ 80,836,363	\$ 76,847,172
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 9,935,403	\$ 11,102,300	\$ 10,865,411	\$ 72,297,125	\$ 7,937,382	\$ 1,089,234	\$ 113,226,855	\$ 112,688,043
2020 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 9,935,403	\$ 11,082,958	\$ 10,540,060	\$ 71,234,785	\$ 8,717,266	\$ 1,177,571		\$ 112,688,043

See notes to financial statements

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

TOWN OF EDSON
Consolidated Schedule of Property and Other Taxes *(Schedule 2)*
Year Ended December 31, 2021

	Budget (Unaudited)	2021	2020
TAXATION			
Real property taxes	\$ 15,090,617	\$ 15,085,889	\$ 14,501,640
Linear property taxes	441,092	441,092	401,663
Government grants in place of property taxes	216,870	216,869	195,271
Special assessments and local improvement taxes	615,225	614,199	615,262
	<u>16,363,804</u>	<u>16,358,049</u>	<u>15,713,836</u>
REQUISITIONS			
ASFF School Foundation Requisition	3,363,199	3,371,604	3,387,257
Living Waters Catholic Schools Requisition	410,472	402,067	413,778
Evergreens Seniors Foundation	567,737	567,737	579,428
Designated Industrial Property	5,537	5,537	5,473
	<u>4,346,945</u>	<u>4,346,945</u>	<u>4,385,936</u>
NET MUNICIPAL TAXES	<u>\$ 12,016,859</u>	<u>\$ 12,011,104</u>	<u>\$ 11,327,900</u>

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Government Transfers **(Schedule 3)**
Year Ended December 31, 2021

	Budget (Unaudited)	2021	2020
TRANSFERS FOR OPERATING			
Federal government transfers	\$ 72,000	\$ 74,475	\$ 30,713
Provincial government transfers	804,775	864,179	1,684,288
Local government transfers	5,845,485	5,327,669	5,612,786
	6,722,260	6,266,323	7,327,787
TRANSFERS FOR CAPITAL			
Provincial government transfers	4,843,242	1,815,155	772,918
Local government transfers	2,725,738	327,609	84,172
	7,568,980	2,142,764	857,090
TOTAL GOVERNMENT TRANSFERS	\$ 14,291,240	\$ 8,409,087	\$ 8,184,877

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Expenses by Object **(Schedule 4)**
Year Ended December 31, 2021

	Budget (Unaudited)	2021	2020
EXPENSES			
Salaries, wages and benefits	\$ 9,498,250	\$ 9,044,346	\$ 8,047,581
Contracted and general services	5,631,167	5,155,388	5,176,521
Purchases from other governments	2,455,525	2,640,894	2,436,946
Materials, goods, supplies, and utilities	2,467,150	2,898,754	2,590,137
Transfers to local boards and agencies	330,000	330,000	274,000
Transfers to individuals and organizations	444,833	421,694	767,955
Bank charges and short-term interest	26,000	22,649	26,176
Interest on capital long-term debt	396,933	437,344	452,837
Other expenditures	881,265	452,681	584,089
Amortization of tangible capital assets	3,793,630	4,097,088	4,015,812
Net loss on sale of tangible capital assets	-	8,547	7,831
	\$ 25,924,753	\$ 25,509,385	\$ 24,379,885

See notes to financial statements

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

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 Professional Accountants. Significant aspects of the accounting polices adopted by the town are as follows:

Reporting Entity

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

Included with the municipality is twenty five percent of the West Yellowhead Regional Waste Management Authority which is recorded using the proportionate consolidation 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.

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TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

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

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.

Significant estimates in these financial statements include:

- providing for amortization of tangible capital assets
- certain assumptions used in determining the provision for landfill closure and post closure costs

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.

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.

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TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

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

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on an average cost basis.

Land for Resale

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

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, 2021

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 recorded 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	10-75 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, 2021

2. CASH AND TEMPORARY INVESTMENTS

	2021	2020
Cash	\$ 26,433,376	\$ 28,635,022
Temporary investments	6,046,814	200,000
Investment (WYRWMA)	419,323	415,152
	\$ 32,899,513	\$ 29,250,174

Temporary investments are short-term deposits with original maturities of one year or less. Included in the above balances are \$8,170,662 (2020 - \$4,951,489) of funds which are restricted in use for future capital projects (note 7) and the public reserve trust.

The temporary investments have a fair market value of \$6,043,949 (2020 - \$201,318). Temporary investments have effective interest rates ranging from 0.25% to 0.8% (2020 - 2.12%) and mature June 2022.

Investment (WYRWMA) consist of the town's 25% share of the investment of the authority which is a demand savings account bearing interest at rates from 1% to 2.5% (2020 - 1% to 2.5%) and requires 90 days notice prior to withdrawal. The carrying value of the investments approximates the fair market value due to the short term nature of the investments.

3. PROPERTY TAXES RECEIVABLE

	2021	2020
Current tax receivable	\$ 660,336	\$ 703,981
Tax arrears	203,525	206,633
Subtotal	863,861	910,614
Allowance for doubtful accounts	(66,242)	(66,242)
	\$ 797,619	\$ 844,372

4. TRADE AND OTHER RECEIVABLES

	2021	2020
Trade accounts receivable	\$ 2,670,945	\$ 3,110,100
GST receivable	292,288	161,556
Accounts receivable WYRWMA	60,761	140,599
Subtotal	3,023,994	3,412,255
Allowance for doubtful accounts	(28,114)	(28,114)
	\$ 2,995,880	\$ 3,384,141

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

5. LONG TERM INVESTMENTS

	2021	2020
Long term investments	\$ 4,167,544	\$ -

Long term investments consist of bonds bearing interest at rates ranging from 0.45% to 2.55% and mature between December 2025 and June 2027. The bonds have a market value of \$4,099,208.

6. EMPLOYEE BENEFIT OBLIGATIONS

	2021	2020
Vacation pay accrued	\$ 254,962	\$ 238,676

The vacation 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

	2021	2020
Prepaid local improvement charges	\$ 234,426	\$ 289,701
Other conditional government grants	112,221	31,763
MSI Grant - capital	4,106,786	2,840,179
Federal Gas Tax Fund	377,235	1,067,441
BMTG grant	1,021,765	511,881
MSP grant	-	500,225
Alberta Community Resilience Program grant	1,969,640	-
Unearned revenue	103,705	68,347
	\$ 7,925,778	\$ 5,309,537

Prepaid local improvement charges are being amortized to revenue at various rates over the next fifteen 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 2022-2023. These unexpended funds are supported by restricted cash balances.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

8. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The estimated total liability is based on the sum of the discounted future cash flows for closure and post-closure activities for 25 years after closure using an interest rate of 2% and assuming annual inflation of 3%.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The current landfill site consists of an actively used cell for dry waste disposal and land available for potential future expansion. The expansion of the existing site has an estimated remaining capacity of 283,080 tonnes and is expected to reach capacity in 2036.

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

	2021	2020
Estimated closure costs	\$ 2,104,300	\$ 2,104,300
Estimated post-closure costs	2,981,000	2,981,000
	<u>\$ 5,085,300</u>	<u>\$ 5,085,300</u>
Estimated capacity remaining	47.23 %	50.49 %
Portion of the closure and post closure liability remaining to be recognized	<u>\$ 2,401,787</u>	<u>\$ 2,567,568</u>
Estimated capacity used	52.77 %	49.51 %
Estimated closure and post closure liability	<u>\$ 2,683,513</u>	<u>\$ 2,517,732</u>
Estimated closure and post closure liability	\$ 2,683,513	\$ 2,517,732
Less: Yellowhead County contribution	(573,973)	(515,422)
Closure costs incurred to date	(331,536)	(331,536)
Other	19,856	127,086
	<u>\$ 1,797,860</u>	<u>\$ 1,797,860</u>

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, 2021

9. LONG-TERM DEBT

	2021	2020
Debentures	\$ 10,869,098	\$ 11,735,682
Capital leases	716,785	910,516
Subtotal	11,585,883	12,646,198
Less: Current portion	(1,089,170)	(1,060,345)
	\$ 10,496,713	\$ 11,585,853

Principal and interest payments are due as follows:

	Principal	Interest	Total
2021	\$ 1,089,170	\$ 399,666	\$ 1,488,836
2022	1,007,866	356,196	1,364,062
2023	839,869	317,682	1,157,551
2024	869,129	285,547	1,154,676
2025	755,028	254,020	1,009,048
Thereafter	7,024,821	1,155,532	8,180,353
	\$ 11,585,883	\$ 2,768,643	\$ 14,354,526

Debenture debt is repayable to the Alberta Capital Financing Authority and bears interest at rates ranging from 2.229% to 5.875% per annum, and mature in periods 2022 through 2036. Long-term debt is issued on the credit and security of the Town at large.

Capital leases are repayable in blended monthly instalments of \$19,512, bear interest at rates ranging from 4.769% to 5.19% and mature in periods 2023 through 2028.

Interest on long-term debt amounted to \$437,515 (2020 - \$453,682).

The town's total cash payments for interest in 2021 were \$442,738 (2020 - \$458,103).

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

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:

	<u>2021</u>	<u>2020</u>
Total debt limit	\$ 44,331,015	\$ 40,791,561
Total debt	<u>(11,585,883)</u>	<u>(12,646,198)</u>
Amount of debt limit unused	<u>\$ 32,745,132</u>	<u>\$ 28,145,363</u>
Debt servicing limit	\$ 7,388,503	\$ 6,798,594
Debt servicing	<u>(1,488,836)</u>	<u>(1,503,082)</u>
Amount of debt servicing limit unused	<u>\$ 5,899,667</u>	<u>\$ 5,295,512</u>

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. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2021</u>	<u>2020</u>
Tangible capital assets (Schedule 1)	\$ 194,063,218	\$ 189,535,215
Accumulated amortization (Schedule 1)	<u>(80,836,363)</u>	<u>(76,847,172)</u>
Long-term debt (Note 9)	<u>(11,585,883)</u>	<u>(12,646,198)</u>
	<u>\$ 101,640,972</u>	<u>\$ 100,041,845</u>

12. ACCUMULATED SURPLUS

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

	<u>2021</u>	<u>2020</u>
Unrestricted surplus	\$ 1,090,319	\$ 169,298
WYRWMA - restricted surplus	903,943	693,198
Restricted surplus - operating	3,951,328	4,117,079
Restricted surplus - capital	23,872,647	20,250,400
Equity in tangible capital assets	<u>101,640,972</u>	<u>100,041,845</u>
	<u>\$ 131,459,209</u>	<u>\$ 125,271,820</u>

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

13. 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	2021	2020
Mayor K. Zahara	\$ 45,700	\$ -	\$ 45,700	\$ 42,770
Councilor K. Baier	27,065	-	27,065	25,600
Councilor T. Bevan	26,800	-	26,800	25,600
Councilor G. Chouinard	26,800	-	26,800	25,600
Councilor J. Currie	22,333	-	22,333	25,600
Councilor E. Moore	5,105	-	5,105	-
Councilor G. Pasychny	5,105	-	5,105	-
Councilor T. Sorensen	22,333	-	22,333	25,600
Councilor P. Taylor	5,105	-	5,105	-
Councilor J. Wilkinson	22,333	-	22,333	25,600
CAO	104,113	15,629	119,742	232,803

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.

14. 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 275,863 members and 433 employers as at December 2020. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The town is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan, and 13.84% of pensionable earnings above this amount.

Total current service contributions by the Town of Edson to the LAPP were \$558,149 (2020 - \$574,233). Total current service contributions by the employees of the Town of Edson to the LAPP were \$504,180 (2020 - \$522,152).

As at December 31, 2020, the Plan disclosed an actuarial surplus of \$5 billion.

15. TRUST ASSETS

The town is holding funds in trust for community organizations in the amount of \$51,420 (2020 - \$44,960). 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, 2021

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 from 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.

Interest Rate

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the municipality manages exposure through its normal operating and financing activities. The municipality is exposed to interest rate risk primarily through its investment in government bonds.

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

17. LEASE COMMITMENTS

The municipality has a number of long term operating leases for equipment. Future minimum lease payments as at year end are as follows:

2022	\$ 107,457
2023	57,340
2024	<u>29,340</u>
	<u>\$ 194,137</u>

18. COMMITMENTS

The town is committed to making annual payments for assessment services ending June 30, 2022.

The town is 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 .

The town has entered an agreement for waste collection ending August 31, 2023.

The town has entered into contracts for future costs associated with capital projects totalling \$3,037,580. These costs are expected to be incurred in the 2022 and 2023 fiscal years.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

19. CONTINGENT LIABILITY

The Town of Edson is a member of 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 lagoons owned by the town will be subject to reclamation. The reclamation costs are included in budgeted 2022 capital costs.

20. COVID-19

In March of 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization, resulting in all levels of governments enacting emergency health measures. Since then most health measures have been reduced and the town is continuing to monitor and assess the impact of COVID-19 on its operations. At the time of these financial statements, the future impact is unknown and an estimate of the financial effect is not practical at this time.

21. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
