

TOWN OF EDSON
Consolidated Financial Statements
Year Ended December 31, 2022

TOWN OF EDSON
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Year Ended December 31, 2022

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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 Organization), which comprise the consolidated statement of financial position as at December 31, 2022, 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 Organization as at December 31, 2022, 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 Organization 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

*Barford, Williams
Joly & Starkevich*

Edson, Alberta
April 18, 2023

CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF EDSON
Consolidated Statement of Financial Position
December 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 37,152,997	\$ 32,899,513
Receivables		
Property taxes <i>(Note 3)</i>	752,276	797,619
Trade and other receivables <i>(Note 4.)</i>	3,187,694	2,995,880
Land held for resale	1,163,108	1,163,108
Inventory held for resale	1,625	1,136
Long term investments <i>(Note 5.)</i>	4,125,944	4,167,544
Other financial assets	237,510	32,484
Other long term assets	200,000	300,000
	46,821,154	42,357,284
LIABILITIES		
Accounts payable and accrued liabilities	2,685,436	2,805,892
Deposit liabilities	652,963	670,644
Deferred revenue <i>(Note 6)</i>	8,868,467	7,925,778
Provision for landfill closure <i>(Note 7)</i>	1,797,860	1,797,860
Other long-term liabilities	647,609	146,095
Long term debt <i>(Note 8)</i>	10,496,713	11,585,883
	25,149,048	24,932,152
NET FINANCIAL ASSETS	21,672,106	17,425,132
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(schedule 1)</i>	115,485,649	113,226,855
Prepaid expenses	73,551	63,986
Inventory for consumption	911,407	743,236
	116,470,607	114,034,077
ACCUMULATED SURPLUS <i>(Note 11)</i>	\$138,142,713	\$131,459,209
COMMITMENTS AND CONTINGENCIES <i>(Notes 17, 18)</i>		

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Operations
Year Ended December 31, 2022

	Budget (Unaudited)	2022	2021
REVENUE			
Net municipal taxes (<i>Schedule 2</i>)	\$ 12,611,961	\$ 12,605,513	\$ 12,011,104
Government operating transfers (<i>Schedule 3</i>)	6,644,023	6,912,587	6,266,323
User fees and sales of goods	6,066,859	5,719,918	5,340,620
Investment income	178,000	638,838	135,895
Penalties and costs on taxes	155,000	148,759	158,104
Licenses and permits	94,900	71,278	79,399
Fines	1,281,000	978,969	1,517,437
Franchise fees	1,048,900	1,008,126	887,177
Rentals	743,525	678,120	496,638
Development levies	-	202,134	4,719
Contributions - operating	-	-	100,000
Other	19,500	70,544	2,046,822
Gain on sale of tangible capital assets	-	69,927	-
West Yellowhead Regional Waste Management Authority	-	883,803	509,772
	<u>28,843,668</u>	<u>29,988,516</u>	<u>29,554,010</u>
EXPENSES			
Legislative	470,550	328,929	323,693
General administration	3,046,460	2,736,207	2,655,215
Protective services	5,051,133	5,415,075	4,959,202
Roads, streets, and equipment	6,415,219	6,183,573	6,252,750
Utilities	5,832,853	5,808,395	5,510,118
Public health and welfare	784,815	746,477	675,388
Planning and development	976,770	620,715	405,213
Recreation and parks	4,995,725	4,355,560	3,983,586
Culture	764,487	758,945	744,220
	<u>28,338,012</u>	<u>26,953,876</u>	<u>25,509,385</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES FROM OPERATIONS	505,656	3,034,640	4,044,625
OTHER INCOME			
Government capital transfers (<i>Schedule 3</i>)	24,968,622	3,648,864	2,142,764
EXCESS OF REVENUE OVER EXPENSES	25,474,278	6,683,504	6,187,389
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>131,459,209</u>	<u>131,459,209</u>	<u>125,271,820</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$156,933,487</u>	<u>\$138,142,713</u>	<u>\$131,459,209</u>

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Changes in Accumulated Surplus
Year Ended December 31, 2022

	Unrestricted Surplus	Restricted Surplus	Equity in TCA	2022	2021
BALANCE - BEGINNING OF PERIOD	\$ 1,090,319	\$ 28,727,918	\$101,640,972	\$131,459,209	\$125,271,820
Excess of revenue over expenses	6,683,504	-	-	6,683,504	6,187,389
Unrestricted funds designated for future use	(8,017,714)	8,017,714	-	-	-
Restricted funds used for operations	2,222,092	(2,222,092)	-	-	-
Restricted funds used for tangible capital assets	-	(2,661,678)	2,661,678	-	-
Current year funds used for tangible capital assets	(3,817,225)	-	3,817,225	-	-
Disposal of tangible capital assets	74,144	-	(74,144)	-	-
Annual amortization expense	4,145,965	-	(4,145,965)	-	-
Long term debt repaid	(1,089,170)	-	1,089,170	-	-
BALANCE - END OF PERIOD	\$ 1,291,915	\$ 31,861,862	\$104,988,936	\$138,142,713	\$131,459,209

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Change in Net Financial Assets (Debt)
Year Ended December 31, 2022

	Budget	2022	2021
EXCESS OF REVENUE OVER EXPENSES	\$ 25,474,278	\$ 6,683,504	\$ 6,187,389
Loss on disposal of tangible capital assets	-	72,970	8,547
Gain on disposal of tangible capital assets	-	(69,927)	-
Acquisition of tangible capital assets	(32,681,192)	(6,478,903)	(4,644,447)
Proceeds on disposal of tangible capital assets	-	71,100	-
Amortization of tangible capital assets	4,002,500	4,145,965	4,097,088
	<u>(28,678,692)</u>	<u>(2,258,795)</u>	<u>(538,812)</u>
Change in supplies inventory	-	(168,170)	(199,997)
Change in prepaid assets	-	(9,565)	135,698
	<u>-</u>	<u>(177,735)</u>	<u>(64,299)</u>
INCREASE IN NET FINANCIAL ASSETS (DEBT)	(3,204,414)	4,246,974	5,584,278
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	17,425,132	17,425,132	11,840,854
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ 14,220,718	\$ 21,672,106	\$ 17,425,132

See notes to financial statements

TOWN OF EDSON
Consolidated Statement of Cash Flows
Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 6,683,504	\$ 6,187,389
Items not affecting cash:		
Amortization of tangible capital assets	4,145,965	4,097,088
Loss on disposal of tangible capital assets	72,970	8,547
Gain on sale of tangible capital assets	<u>(69,927)</u>	<u>-</u>
	10,832,512	10,293,024
Changes in non-cash working capital:		
Property taxes receivable	45,343	46,753
Trade and other receivables	(191,814)	388,261
Inventory held for resale	(489)	(146)
Inventory for consumption	(168,171)	(199,997)
Prepaid expenses	(9,565)	135,698
Other financial assets	(205,026)	(13,969)
Other long term assets	100,000	-
Accounts payable and accrued liabilities	(120,455)	332,119
Deposit liabilities	(17,681)	(84,194)
Deferred revenue	942,689	2,616,241
Other long-term liabilities	<u>501,514</u>	<u>7,855</u>
	876,345	3,228,621
Cash flow from operating activities	11,708,857	13,521,645
INVESTING ACTIVITY		
Purchase of long term investments	<u>41,600</u>	<u>(4,167,544)</u>
FINANCING ACTIVITIES		
Repayment of long term debt	(1,089,170)	(1,060,315)
Purchase of tangible capital assets	(6,478,903)	(4,644,447)
Proceeds on disposal of tangible capital assets	<u>71,100</u>	<u>-</u>
Cash flow used by financing activities	(7,496,973)	(5,704,762)
INCREASE IN CASH FLOW	4,253,484	3,649,339
Cash - beginning of year	<u>32,899,513</u>	<u>29,250,174</u>
CASH - END OF YEAR (Note 2)	\$ 37,152,997	\$ 32,899,513

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Tangible Capital Assets *(Schedule 1)*
Year Ended December 31, 2022

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2022	2021
COST								
BALANCE, BEGINNING 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
Acquisition of tangible capital assets	-	20,996	306,811	1,958,643	412,682	67,225	2,766,357	4,644,447
Construction in progress	-	501,575	931,821	2,279,150	-	-	3,712,546	-
Disposal of tangible capital assets	-	(11,869)	(42,532)	(170,900)	(388,347)	(43,686)	(657,334)	(116,444)
BALANCE, END OF YEAR	\$ 9,935,403	\$ 21,256,107	\$ 19,964,259	\$ 130,384,317	\$ 15,112,110	\$ 3,232,591	\$199,884,787	\$194,063,218
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	\$ -	\$ 9,643,105	\$ 7,902,748	\$ 54,020,299	\$ 7,150,393	\$ 2,119,818	\$ 80,836,363	\$ 76,847,172
Annual amortization	-	769,010	396,335	1,987,075	858,958	134,587	4,145,965	4,097,088
Accumulated amortization on disposals	-	(8,605)	-	(157,268)	(376,307)	(41,010)	(583,190)	(107,897)
BALANCE, END OF YEAR	\$ -	\$ 10,403,510	\$ 8,299,083	\$ 55,850,106	\$ 7,633,044	\$ 2,213,395	\$ 84,399,138	\$ 80,836,363
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 9,935,403	\$ 10,852,597	\$ 11,665,176	\$ 74,534,211	\$ 7,479,066	\$ 1,019,196	\$115,485,649	\$113,226,855
2021 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

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Property and Other Taxes *(Schedule 2)*
Year Ended December 31, 2022

	Budget (Unaudited)	2022	2021
TAXATION			
Real property taxes	\$ 15,773,515	\$ 15,768,817	\$ 15,085,889
Linear property taxes	449,478	448,753	441,092
Government grants in place of property taxes	220,610	220,610	216,869
Special assessments and local improvement taxes	615,225	614,199	614,199
	<u>17,058,828</u>	<u>17,052,379</u>	<u>16,358,049</u>
REQUISITIONS			
ASFF School Foundation Requisition	3,370,055	3,384,803	3,371,604
Living Waters Catholic Schools Requisition	403,738	388,991	402,067
Evergreens Seniors Foundation	666,564	666,564	567,737
Designated Industrial Property	6,510	6,508	5,537
	<u>4,446,867</u>	<u>4,446,866</u>	<u>4,346,945</u>
NET MUNICIPAL TAXES	<u>\$ 12,611,961</u>	<u>\$ 12,605,513</u>	<u>\$ 12,011,104</u>

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Government Transfers **(Schedule 3)**
Year Ended December 31, 2022

	Budget (Unaudited)	2022	2021
TRANSFERS FOR OPERATING			
Federal government transfers	\$ 187,570	\$ 46,263	\$ 74,475
Provincial government transfers	1,136,410	810,107	864,179
Local government transfers	5,320,043	6,056,217	5,327,669
	<u>6,644,023</u>	<u>6,912,587</u>	<u>6,266,323</u>
TRANSFERS FOR CAPITAL			
Federal government transfers	20,000,000	49,678	-
Provincial government transfers	4,793,622	3,160,934	1,815,155
Local government transfers	175,000	438,252	327,609
	<u>24,968,622</u>	<u>3,648,864</u>	<u>2,142,764</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 31,612,645</u>	<u>\$ 10,561,451</u>	<u>\$ 8,409,087</u>

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Expenses by Object **(Schedule 4)**
Year Ended December 31, 2022

	Budget (Unaudited)	2022	2021
EXPENSES			
Salaries, wages and benefits	\$ 9,874,075	\$ 9,249,736	\$ 9,044,346
Contracted and general services	7,001,412	5,715,133	5,155,388
Purchases from other governments	2,666,225	3,288,943	2,640,894
Materials, goods, supplies, and utilities	2,862,160	2,903,944	2,898,754
Transfers to local boards and agencies	340,450	340,450	330,000
Transfers to individuals and organizations	486,008	469,164	421,694
Bank charges and short-term interest	26,000	31,661	22,649
Interest on capital long-term debt	363,642	399,666	437,344
Other expenditures	715,540	336,244	452,681
Amortization of tangible capital assets	4,002,500	4,145,965	4,097,088
Net loss on sale of tangible capital assets	-	72,970	8,547
	\$ 28,338,012	\$ 26,953,876	\$ 25,509,385

See notes to financial statements

TOWN OF EDSON
Consolidated Schedule of Segmented Disclosure
Year Ended December 31, 2022

(Schedule 5)

	General	Administration	Protective Services	Infrastructure	Utilities	Parks and Recreation	Other	2022
REVENUES								
Net municipal taxes	\$ 12,605,513	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,605,513
Government operating transfers	4,777,220	77,915	393,857	178,419	188,965	923,209	373,002	6,912,587
User fees and sales of goods	-	76,926	30,788	130,415	5,165,652	256,658	59,479	5,719,918
Investment income	633,304	-	-	-	-	-	5,534	638,838
Penalties and costs of taxes	148,759	-	-	-	-	-	-	148,759
Licenses and permits	-	-	56,524	-	-	-	14,754	71,278
Fines	-	-	978,969	-	-	-	-	978,969
Franchise Fees	1,008,126	-	-	-	-	-	-	1,008,126
Rentals	-	35,505	-	77,868	-	318,147	246,600	678,120
Development levies	-	-	-	-	-	-	202,134	202,134
Other revenue	-	1,817	25	40,747	-	27,955	-	70,544
WYRWMA	-	-	-	-	883,803	-	-	883,803
Gains on sale of tangible capital assets	-	-	-	67,927	2,000	-	-	69,927
	19,172,922	192,163	1,460,163	495,376	6,240,420	1,525,969	901,503	29,988,516
EXPENSES								
Salaries, wages and benefits	-	2,121,373	1,064,714	1,920,899	1,043,577	2,491,768	607,405	9,249,736
Contracted and general services	-	871,951	716,039	1,097,375	1,947,837	653,476	428,455	5,715,133
Purchases from other governments	-	430	3,284,010	-	-	-	4,503	3,288,943
Materials, goods, supplies, and utilities	-	144,307	109,199	1,367,738	661,669	558,659	62,372	2,903,944
Transfers to local boards and agencies	-	-	-	-	-	-	340,450	340,450
Transfers to individuals and organizations	-	-	32,208	-	-	54,000	382,956	469,164
Bank charges and short-term interest	-	12,003	-	-	5,951	13,707	-	31,661
Interest on capital long-term debt	-	-	-	80,344	319,322	-	-	399,666
Other expenditures	-	98,009	1,099	99,120	6,340	97,331	34,345	336,244
Amortization of tangible capital assets	-	23,062	86,274	1,920,714	1,477,259	457,040	181,616	4,145,965
Net loss on sale of tangible capital assets	-	-	42,532	23,434	3,740	3,264	-	72,970
	-	3,271,135	5,336,075	6,509,624	5,465,695	4,329,245	2,042,102	26,953,876
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 19,172,922	\$ (3,078,972)	\$ (3,875,912)	\$ (6,014,248)	\$ 774,725	\$ (2,803,276)	\$ (1,140,599)	\$ 3,034,640

See notes to financial statements

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

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 Chartered Professional Accountants of Canada. 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 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.

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

(continues)

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

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

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.

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.

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.

(continues)

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

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, 2022

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, 2022

2. CASH AND TEMPORARY INVESTMENTS

	2022	2021
Cash	\$ 30,996,248	\$ 26,433,376
Temporary investments	6,156,749	6,046,814
Investment (WYRWMA)	-	419,323
	\$ 37,152,997	\$ 32,899,513

Temporary investments are short-term deposits with original maturities of one year or less. Included in the above balances are \$9,118,059 (2021 - \$8,170,662) of funds which are restricted in use for future capital projects (note 6) and the public reserve trust.

The temporary investments have a fair market value of \$6,270,048 (2021 - \$6,043,949). Temporary investments have effective interest rates ranging from 3.46% to 3.85% (2021 - 0.25% to 0.80%) and mature June 2023.

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% (2021 - 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

	2022	2021
Current tax receivable	\$ 561,698	\$ 660,336
Tax arrears	256,820	203,525
Subtotal	818,518	863,861
Allowance for doubtful accounts	(66,242)	(66,242)
	\$ 752,276	\$ 797,619

4. TRADE AND OTHER RECEIVABLES

	2022	2021
Trade accounts receivable	\$ 2,905,250	\$ 2,670,945
GST receivable	251,887	292,288
Accounts receivable WYRWMA	58,671	60,761
Subtotal	3,215,808	3,023,994
Allowance for doubtful accounts	(28,114)	(28,114)
	\$ 3,187,694	\$ 2,995,880

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

5. LONG TERM INVESTMENTS

	2022	2021
Long term investments	\$ 4,125,944	\$ 4,167,544

Long term investments consist of bonds bearing interest at rates ranging from 1.1% to 2.55% and mature between December 2025 and June 2027. The bonds have a market value of \$3,759,880 (2021 - \$4,099,208).

6. DEFERRED REVENUE

	2022	2021
Alberta Community Resilience Program grant	\$ 1,878,842	\$ 1,969,640
BMTG grant	-	1,021,765
Federal Gas Tax Fund	588,244	377,235
MSI Grant - capital	6,004,273	4,106,786
Other conditional government grants	152,008	112,221
Prepaid local improvement charges	179,151	234,426
Unearned revenue	65,949	103,705
	\$ 8,868,467	\$ 7,925,778

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 2023-2024. These unexpended funds are supported by restricted cash balances.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

7. 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 280,350 tonnes and is expected to reach capacity in 2046.

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

	2022	2021
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	46.87 %	47.23 %
Portion of the closure and post closure liability remaining to be recognized	<u>\$ 2,383,480</u>	<u>\$ 2,401,787</u>
Estimated capacity used	53.13 %	52.77 %
Estimated closure and post closure liability	<u>\$ 2,701,820</u>	<u>\$ 2,683,513</u>
Estimated closure and post closure liability	\$ 2,701,820	\$ 2,683,513
Less: Yellowhead County contribution	(584,576)	(573,973)
Closure costs incurred to date	(331,536)	(331,536)
Other	12,152	19,856
	<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, 2022

8. LONG-TERM DEBT

	2022	2021
Debentures	\$ 9,983,666	\$ 10,869,098
Capital leases	513,047	716,785
Subtotal	10,496,713	11,585,883
Less: Current portion	(1,007,866)	(1,089,170)
	\$ 9,488,847	\$ 10,496,713

Principal and interest payments are due as follows:

	Principal	Interest	Total
2022	\$ 1,007,866	\$ 356,196	\$ 1,364,062
2023	838,869	317,682	1,156,551
2024	869,129	285,547	1,154,676
2025	755,028	254,020	1,009,048
2026	750,197	226,919	977,116
Thereafter	6,275,624	928,613	7,204,237
	\$ 10,496,713	\$ 2,368,977	\$ 12,865,690

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 2023 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 \$394,048 (2021 - \$437,515).

The town's total cash payments for interest in 2022 were \$399,666 (2021 - \$442,738).

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

9. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Edson be disclosed as follows:

	<u>2022</u>	<u>2021</u>
Total debt limit	\$ 44,982,774	\$ 44,331,015
Total debt	<u>(10,496,713)</u>	<u>(11,585,883)</u>
Amount of debt limit unused	<u>\$ 34,486,061</u>	<u>\$ 32,745,132</u>
Debt servicing limit	\$ 7,497,129	\$ 7,388,503
Debt servicing	<u>(1,364,062)</u>	<u>(1,488,836)</u>
Amount of debt servicing limit unused	<u>\$ 6,133,067</u>	<u>\$ 5,899,667</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.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2022</u>	<u>2021</u>
Tangible capital assets (Schedule 1)	\$199,884,787	\$194,063,218
Accumulated amortization (Schedule 1)	<u>(84,399,138)</u>	<u>(80,836,363)</u>
Long-term debt (Note 8)	<u>(10,496,713)</u>	<u>(11,585,883)</u>
	<u>\$104,988,936</u>	<u>\$101,640,972</u>

11. ACCUMULATED SURPLUS

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

	<u>2022</u>	<u>2021</u>
Unrestricted surplus	\$ 1,291,915	\$ 1,090,319
WYRWMA - restricted surplus	1,586,522	903,943
Restricted surplus - operating	3,975,899	3,951,328
Restricted surplus - capital	26,299,441	23,872,647
Equity in tangible capital assets	<u>104,988,936</u>	<u>101,640,972</u>
	<u>\$138,142,713</u>	<u>\$131,459,209</u>

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

12. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer (CAO) and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salary	Benefits	2022	2021
Mayor K. Zahara	\$ 49,000	\$ -	\$ 49,000	\$ 45,700
Councilor K. Baier	28,375	-	28,375	27,065
Councilor T. Bevan	28,200	-	28,200	26,800
Councilor G. Chouinard	28,200	-	28,200	26,800
Councilor J. Currie	-	-	-	22,333
Councilor E. Moore	28,200	-	28,200	5,105
Councilor G. Pasychny	28,200	-	28,200	5,105
Councilor T. Sorensen	-	-	-	22,333
Councilor P. Taylor	28,200	-	28,200	5,105
Councilor J. Wilkinson	-	-	-	22,333
CAO	185,228	29,470	214,698	119,742

Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

Benefits figure includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, long and short term disability plans, professional memberships and tuition.

Benefits figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, travel allowances and car allowances.

13. LOCAL AUTHORITIES PENSION PLAN

Employees of the town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The Plan serves about 281,764 members and 435 employers as at December 2021. 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 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan, and 12.80% of pensionable earnings above this amount.

Total current service contributions by the Town of Edson to the LAPP were \$542,485 (2021 - \$558,149). Total current service contributions by the employees of the Town of Edson to the LAPP were \$499,471 (2021 - \$504,180).

As at December 31, 2021, the Plan disclosed an actuarial surplus of \$11.9 billion.

14. TRUST ASSETS

The town is holding funds in trust for community organizations in the amount of \$58,560 (2021 - \$51,420). 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, 2022

15. 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 organization manages exposure through its normal operating and financing activities. The organization 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.

16. 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:

2023	\$ 57,340
2024	29,340
	<hr/>
	<u>\$ 86,680</u>

17. COMMITMENTS

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 \$2,811,751. These costs are expected to be incurred in the 2023 fiscal year.

The town has committed to contributing funds to other organizations totalling \$571,102.

TOWN OF EDSON
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

18. 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 at a future date.

19. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
