

TOWN OF MORINVILLE
Financial Statements
For the Year Ended December 31, 2023

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Town of Morinville

Opinion

We have audited the financial statements of the Town of Morinville (the "Town"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations and accumulated surplus, changes in net (debt) financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2023, and the results of its operations, changes in net (debt) financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (Council) are responsible for overseeing the Town's financial reporting process.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 one for resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, 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 Town'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 Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

Chartered Professional Accountants

Edmonton, Alberta
April 23, 2024

TOWN OF MORINVILLE
Statement of Financial Position
As At December 31, 2023

	2023	2022 (Restated) (Note 20)
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 9,872,455	\$ 9,414,946
Accounts receivable (Note 3)	1,594,516	1,713,724
Loan receivable (Note 4)	648,123	648,123
	<u>\$ 12,115,094</u>	<u>\$ 11,776,793</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	\$ 2,488,167	\$ 2,909,701
Deposit liabilities	435,702	311,360
Deferred revenue (Note 6)	270,884	910,456
Asset retirement obligation (Note 7)	247,618	235,865
Long-term debt (Note 8)	17,207,414	18,243,168
	<u>20,649,785</u>	<u>22,610,550</u>
NET DEBT	<u>(8,534,691)</u>	<u>(10,833,757)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	114,618	72,844
Tangible Capital Assets (Schedule 1)	140,192,579	142,112,574
	<u>140,307,197</u>	<u>142,185,418</u>
ACCUMULATED SURPLUS (Note 10)	<u>\$131,772,506</u>	<u>\$131,351,661</u>

CONTINGENCIES (Note 13)

ON BEHALF OF TOWN COUNCIL:

_____ *Mayor*

_____ *Deputy Mayor*

TOWN OF MORINVILLE

Statement of Operations and Accumulated Surplus

For the Year Ended December 31, 2023

	Budget 2023 (Note 18)	Actual 2023	Actual 2022 (Restated) (Note 20)
REVENUE			
Net taxation (Schedule 2)	\$ 11,878,930	\$ 11,903,192	\$ 10,926,534
Water fees	3,605,562	3,312,702	3,221,772
Wastewater and storm fees	3,140,811	2,974,372	2,589,287
Franchise fees (Note 14)	2,068,453	1,976,096	1,934,182
Government transfers for operating (Schedule 3)	1,696,261	1,833,599	1,730,892
Sales to other governments	1,057,592	1,065,814	916,408
Solid waste fees	934,586	952,621	934,657
Rentals	358,335	695,253	586,235
Investment income	50,000	456,665	180,874
Other	312,433	370,808	287,226
Penalties and fines	367,000	262,294	358,959
Sales and user charges	330,510	208,943	170,885
Development fees and permits	189,000	197,160	173,288
Offsite levies	-	98,094	423,286
	<u>25,989,473</u>	<u>26,307,613</u>	<u>24,434,485</u>
EXPENSES			
General administration	6,350,212	6,241,775	5,870,235
Parks and recreation	5,292,773	5,035,019	5,187,765
Public works	6,679,105	4,601,526	6,162,628
Protective services	4,211,359	3,739,238	3,472,068
Water	3,259,560	2,901,585	2,918,108
Wastewater and storm	2,801,040	2,519,912	2,492,041
Solid waste	1,302,112	1,311,954	1,319,366
Library	771,119	826,762	739,434
Planning and development	496,844	441,388	275,480
Council and legislative	485,962	422,008	417,078
Family and community support services	414,652	400,762	392,521
	<u>32,064,738</u>	<u>28,441,929</u>	<u>29,246,724</u>
ANNUAL DEFICIT BEFORE OTHER ITEMS	<u>(6,075,265)</u>	<u>(2,134,316)</u>	<u>(4,812,239)</u>
OTHER ITEMS			
Government transfers for capital (Schedule 3)	1,939,300	2,480,882	3,147,288
Gain on disposal of tangible capital assets	-	74,279	8,893
	<u>1,939,300</u>	<u>2,555,161</u>	<u>3,156,181</u>
ANNUAL SURPLUS (DEFICIT)	<u>(4,135,965)</u>	<u>420,845</u>	<u>(1,656,058)</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR AS PREVIOUSLY STATED	131,573,998	131,573,998	133,217,607
Restatement (Note 20)	-	(222,337)	(209,888)
ACCUMULATED SURPLUS, BEGINNING OF YEAR AS RESTATED	<u>131,573,998</u>	<u>131,351,661</u>	<u>133,007,719</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$127,438,033</u>	<u>\$131,772,506</u>	<u>\$131,351,661</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MORINVILLE

Statement of Changes in Net (Debt) Financial Assets

For the Year Ended December 31, 2023

	Budget 2023 (Note 18)	Actual 2023	Actual 2022 (Restated) (Note 20)
ANNUAL SURPLUS (DEFICIT)	\$ (4,135,965)	\$ 420,845	\$ (1,656,058)
Purchase of tangible capital assets	(3,844,980)	(3,547,185)	(3,227,160)
Proceeds on disposal of tangible capital assets	-	90,696	8,893
Amortization of tangible capital assets	7,091,364	5,450,763	6,959,941
Gain on disposal of tangible capital assets	-	(74,279)	(8,893)
	3,246,384	1,919,995	3,732,781
Use (acquisition) of prepaid expenses	-	(41,774)	3,809
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(889,581)	2,299,066	2,080,532
NET DEBT, BEGINNING OF YEAR	(10,833,757)	(10,833,757)	(12,914,289)
NET DEBT, END OF YEAR	\$ (11,723,338)	\$ (8,534,691)	\$ (10,833,757)

TOWN OF MORINVILLE**Statement of Cash Flows****For the Year Ended December 31, 2023**

	2023	2022 (Restated) (Note 20)
OPERATING ACTIVITIES		
Annual Surplus (Deficit)	\$ 420,845	\$ (1,656,058)
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	5,450,763	6,959,941
Gain on disposal of tangible capital assets	(74,279)	(8,893)
	<u>5,797,329</u>	<u>5,294,990</u>
Change in non-cash working capital balances:		
Accounts receivable	119,208	1,184,383
Loan receivable	-	324,062
Prepaid expenses	(41,774)	3,809
Asset retirement obligations	11,753	11,230
Accounts payable and accrued liabilities	(421,534)	359,045
Deposit liabilities	124,342	61,995
Deferred revenue	(639,572)	(908,839)
	<u>(847,577)</u>	<u>1,035,685</u>
	<u>4,949,752</u>	<u>6,330,675</u>
FINANCING ACTIVITIES		
Long-term debt principal repayments	<u>(1,035,754)</u>	<u>(1,071,701)</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(3,547,185)	(3,227,160)
Proceeds on disposal of tangible capital assets	90,696	8,893
	<u>(3,456,489)</u>	<u>(3,218,267)</u>
CHANGE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	457,509	2,040,707
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>9,414,946</u>	<u>7,374,239</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)	<u>\$ 9,872,455</u>	<u>\$ 9,414,946</u>

TOWN OF MORINVILLE

Schedule of Tangible Capital Assets
For the Year Ended December 31, 2023

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2023	2022 (Restated) (Note 20)
COST:								
Balance, Beginning of Year	\$ 12,922,120	\$ 14,176,848	\$ 42,440,478	\$ 180,836,318	\$ 6,778,911	\$ 4,883,036	\$ 262,037,711	\$ 258,810,551
Restatement (Note 20)	-	-	50,458	-	-	-	50,458	50,458
Balance, Beginning of Year, as Restated	<u>12,922,120</u>	<u>14,176,848</u>	<u>42,490,936</u>	<u>180,836,318</u>	<u>6,778,911</u>	<u>4,883,036</u>	<u>262,088,169</u>	<u>258,861,009</u>
Acquisition of tangible capital assets	-	565,824	224,220	1,719,489	745,660	291,992	3,547,185	3,227,160
Disposal of tangible capital assets	-	-	(19,420)	-	(158,540)	(390,498)	(568,458)	-
Balance, End of Year	<u>12,922,120</u>	<u>14,742,672</u>	<u>42,695,736</u>	<u>182,555,807</u>	<u>7,366,031</u>	<u>4,784,530</u>	<u>265,066,896</u>	<u>262,088,169</u>
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	5,130,650	11,348,458	96,085,414	4,654,637	2,719,506	119,938,665	112,979,943
Restatement (Note 20)	-	-	36,930	-	-	-	36,930	35,711
Balance, Beginning of Year, as Restated	<u>-</u>	<u>5,130,650</u>	<u>11,385,388</u>	<u>96,085,414</u>	<u>4,654,637</u>	<u>2,719,506</u>	<u>119,975,595</u>	<u>113,015,654</u>
Annual amortization	-	636,979	1,118,320	3,055,876	392,828	246,760	5,450,763	6,959,941
Accumulated amortization on disposals	-	-	(6,797)	-	(154,746)	(390,498)	(552,041)	-
Balance, End of Year	<u>-</u>	<u>5,767,629</u>	<u>12,496,911</u>	<u>99,141,290</u>	<u>4,892,719</u>	<u>2,575,768</u>	<u>124,874,317</u>	<u>119,975,595</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 12,922,120	\$ 8,975,043	\$ 30,198,825	\$ 83,414,517	\$ 2,473,312	\$ 2,208,762	\$ 140,192,579	\$ 142,112,574

The cost of tangible capital assets included \$69,931 (2022 - \$767,450) of work in progress for which no amortization has been provided.

Schedule of Property Taxes

For the Year Ended December 31, 2023

	Budget 2023 (Note18)	Actual 2023	Actual 2022
TAXATION			
Real property taxes	\$ 15,572,731	\$ 15,479,389	\$ 14,651,559
Linear and industrial property taxes	123,459	175,375	99,419
Government grants in place of property taxes	71,881	17,425	31,200
Supplementary taxes	-	13,373	-
Designated industrial property taxes	-	971	928
	<u>15,768,071</u>	<u>15,686,533</u>	<u>14,783,106</u>
DEDUCT:			
Education	3,770,872	3,660,769	3,740,622
Seniors Foundation	118,269	122,572	115,950
	<u>3,889,141</u>	<u>3,783,341</u>	<u>3,856,572</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 11,878,930</u>	<u>\$ 11,903,192</u>	<u>\$ 10,926,534</u>

Schedule of Government Transfers

For the Year Ended December 31, 2023

	Budget 2023 (Note18)	Actual 2023	Actual 2022
GOVERNMENT TRANSFERS FOR OPERATING			
Local Governments	\$ 924,089	\$ 930,815	\$ 882,424
Provincial	772,172	864,984	759,090
Federal	-	37,800	89,378
	1,696,261	1,833,599	1,730,892
GOVERNMENT TRANSFERS FOR CAPITAL			
Provincial	1,939,300	2,278,015	2,497,655
Federal	-	152,867	599,633
Local	-	50,000	50,000
Capital Government Transfers	1,939,300	2,480,882	3,147,288
	\$ 3,635,561	\$ 4,314,481	\$ 4,878,180

TOWN OF MORINVILLE

Schedule of Segmented Information

For the Year Ended December 31, 2023

	General Administration	Protective Services	Parks and Recreation	Public Works	Water, Wastewater and Solid Waste	Planning and Development	Other	Total
REVENUE								
Net taxation	\$ 4,634,196	\$ 2,651,903	\$ 3,297,971	\$ -	\$ -	\$ 244,317	\$ 1,074,805	\$ 11,903,192
Water, wastewater, storm and solid waste fees	-	-	-	-	7,239,695	-	-	7,239,695
Franchise fees	1,976,096	-	-	-	-	-	-	1,976,096
Government transfers	-	416,944	1,019,682	-	-	-	396,973	1,833,599
Sales to other governments	98,945	416,063	-	-	531,454	11,301	8,051	1,065,814
Penalties and fines	116,330	115,498	-	-	25,942	-	4,524	262,294
Rentals	114,707	1,077	579,469	-	-	-	-	695,253
Other	108,007	106,783	119,027	14,969	-	2,077	19,945	370,808
Development fees and permits	-	13,865	-	-	-	183,295	-	197,160
Sales and user charges	27,335	17,105	18,870	-	-	399	145,234	208,943
Investment income	456,665	-	-	-	-	-	-	456,665
Offsite levies	98,094	-	-	-	-	-	-	98,094
	7,630,375	3,739,238	5,035,019	14,969	7,797,091	441,389	1,649,532	26,307,613
EXPENSES								
Salaries, wages and benefits	3,807,829	1,635,868	2,102,265	1,206,664	1,058,785	331,208	1,303,908	11,446,527
Contracted and general services	1,636,990	1,663,935	228,529	321,661	1,034,230	91,934	48,946	5,026,225
Materials, goods and utilities	368,643	187,582	635,876	1,236,124	619,477	18,247	185,516	3,251,465
Purchases from other governments	-	-	-	-	2,464,049	-	-	2,464,049
Interest on long-term debt	23,868	-	497,650	-	-	-	-	521,518
Transfers to governments	110,210	-	12,515	-	-	-	111,162	233,887
Other expenses	19,448	-	-	-	1,398	-	-	20,846
Bank charges and short-term interest	14,896	-	-	-	-	-	-	14,896
Amortization of tangible capital assets	259,891	247,119	1,558,184	1,830,058	1,555,511	-	-	5,450,763
Accretion expense	-	4,734	-	7,019	-	-	-	11,753
	6,241,775	3,739,238	5,035,019	4,601,526	6,733,450	441,389	1,649,532	28,441,929
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS								
	\$ 1,388,600	\$ -	\$ -	\$ (4,586,557)	\$ 1,063,641	\$ -	\$ -	\$ (2,134,316)

Schedule of Expenses by Object

For the Year Ended December 31, 2023

	Budget 2023 (Note 18)	Actual 2023	Actual 2022 (Restated) (Note 20)
Salaries, wages and benefits	\$ 11,785,562	\$ 11,446,527	\$ 10,729,731
Amortization	7,091,364	5,450,763	6,959,941
Contracted and general services	5,917,438	5,026,225	4,967,573
Materials, goods and utilities	3,778,451	3,251,465	3,166,478
Purchases from other governments	2,632,618	2,464,049	2,549,369
Interest on long-term debt	521,279	521,518	552,516
Transfers to governments, agencies and organizations	264,027	233,887	218,554
Other expenses (recoveries)	15,000	20,846	84,728
Bank charges and short-term interest	58,998	14,896	6,600
Accretion expense	-	11,753	11,232
	\$ 32,064,737	\$ 28,441,929	\$ 29,246,722

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representations of the Town of Morinville's (the "Town") management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting Entity

These financial statements reflect the assets, liabilities, revenue, expenses, and changes in accumulated surplus balances and cash flows of the reporting entity. The reporting entity is comprised of the municipal operations plus all organizations that are owned or controlled by the Town. Included within the reporting entity is the Town of Morinville Library Board.

(b) 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 and 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.

(c) Cash and Cash Equivalents

Cash and cash equivalents include items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have a maturity of one year or less at acquisition.

(d) Tax Revenue

Property taxes are recognized as revenue in the year they are levied.

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 Town and are recognized as revenue in the year the tax is levied.

(e) 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 expenses during the period. Where management uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(f) Government Transfers

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

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1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Requisition of Over-Levies and Under-Levies

Over-levies and under-levies arise from the difference between the actual 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. In situations 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.

(h) 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 annual surplus, provides the change in net (debt) financial assets for the year.

i) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Land improvements	10-50 years
Buildings	25-50 years
Engineered structures	20-100 years
Machinery and equipment	5-40 years
Vehicles	5-20 years

Assets under construction are not amortized until the asset is available for productive use.

ii) Contributed 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.

iii) 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.

(i) Contaminated Sites

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. A liability for remediation on contaminated sites is recognized, net of any recoveries, when an environmental standard exists, contamination exceeds the environmental standard, the Town is directly responsible for or accepts responsibility for the liability, future economic benefits will be given up, and a reasonable estimate of the liability can be made.

(continues)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Valuation of Financial Assets and Liabilities

The Town's financial assets and liabilities are measured as follows:

<u>Financial statement component</u>	<u>Measurement</u>
Cash and cash equivalents	Cost and amortized cost
Accounts receivables	Lower of cost or net recoverable value
Loans receivable	Cost
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Long-term debt	Amortized cost

(k) Asset Retirement Obligations

During 2023, the Town adopted PS 3280 Asset Retirement Obligations which provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

Asset retirement obligations are legal obligations associated with the retirement of tangible capital assets. Asset retirement activities include all activities relating to an asset retirement obligation including, but not limited to, decommissioning or dismantling, remediation of contamination, post-retirement activities such as monitoring, and constructing other tangible capital assets to perform post-retirement activities.

A liability for asset retirement obligation is recognized when there is a legal obligation to incur retirement costs, the past transaction or event giving rise to the liability as occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made.

When a liability for asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying value of the related asset and are amortized over the estimated useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

2. CASH AND CASH EQUIVALENTS

	<u>2023</u>	<u>2022</u>
Bank accounts	\$ 9,781,503	\$ 9,328,566
Servus Credit Union common shares	87,987	83,415
Petty cash	2,965	2,965
	<u>\$ 9,872,455</u>	<u>\$ 9,414,946</u>

TOWN OF MORINVILLE
Notes to Financial Statements
December 31, 2023

3. ACCOUNTS RECEIVABLE

	<u>2023</u>	<u>2022</u>
Utilities	\$ 684,208	\$ 662,433
Property taxes	529,168	393,164
Trade	219,727	367,999
Goods and Services Tax	191,413	151,516
Government transfers	-	168,612
	<u>1,624,516</u>	<u>1,743,724</u>
Allowance for doubtful accounts	<u>(30,000)</u>	<u>(30,000)</u>
	<u>\$ 1,594,516</u>	<u>\$ 1,713,724</u>

All receivables other than taxes are current. The age of taxes that are not impaired are as follows:

	<u>2023</u>	<u>2022</u>
Current	\$ 416,913	\$ 286,493
1 year	<u>82,255</u>	<u>76,671</u>
	<u>\$ 499,168</u>	<u>\$ 363,164</u>

4. LOAN RECEIVABLE

Loan receivable from the sale of land is non-interest bearing and payable in annual installments of \$324,062, with the final payment due September 2024.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2023</u>	<u>2022</u>
Trade	\$ 2,157,166	\$ 2,580,577
Vacation	141,817	123,442
Accrued interest on long-term debt	127,891	133,192
Government payroll remittances	60,664	57,195
Construction holdbacks	628	15,295
	<u>\$ 2,488,166</u>	<u>\$ 2,909,701</u>

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6. DEFERRED REVENUE

Deferred revenue consists of the following amounts which have been restricted by third parties for a specific purpose. These amounts are recognized as revenue in the period in which the related expenditures are incurred.

	2022	Receipts	Revenue	2023
Municipal Sustainability Initiative	\$ 817,860	\$ 1,080,534	\$(1,658,697)	\$ 239,697
Other	92,596	19,551	(85,638)	26,509
Family and Community Support Services	-	4,678	-	4,678
Canada Community Building Fund	-	619,318	(619,318)	-
	<u>\$ 910,456</u>	<u>\$ 1,724,081</u>	<u>\$(2,363,653)</u>	<u>\$ 270,884</u>

7. ASSET RETIREMENT OBLIGATIONS

The Town has asset retirement obligations to remove various hazardous materials including, asbestos, lead, mercury, and mold from various buildings under its control. Regulations require the Town to handle and dispose of these materials in a prescribed manner when it is disturbed, such as when the building undergoes renovations or being demolished. Although the timing of the removal is conditional on the building undergoing renovations or being demolished, regulations create an existing obligation for the Municipality to remove the materials when the asset retirement activities occur.

	2023	2022 (Restated) (Note 20)
Balance, Beginning of Year	\$ 235,865	\$ 224,633
Accretion expense	<u>11,753</u>	<u>11,232</u>
	<u>\$ 247,618</u>	<u>\$ 235,865</u>

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8. LONG-TERM DEBT

	<u>2023</u>	<u>2022</u>
Debenture debt held by the Government of Alberta, repayable in semi-annual installments of \$374,750 including interest at 3.209%; due September 17, 2038.	\$ 8,868,007	\$ 9,321,978
Debenture debt held by the Government of Alberta, repayable in semi-annual installments of \$199,284 including interest at 2.930%; due March 15, 2039.	4,936,751	5,185,199
Debenture debt held by the Government of Alberta, repayable in semi-annual installments of \$92,650 including interest at 2.084%; due December 15, 2040.	2,641,087	2,769,338
Debenture debt held by the Government of Alberta, repayable in semi-annual installments of \$114,602 including interest at 2.634%; due June 15, 2027.	761,569	966,653
	<u>\$ 17,207,414</u>	<u>\$ 18,243,168</u>

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,065,895	\$ 496,675	\$ 1,562,570
2025	1,096,928	465,642	1,562,570
2026	1,128,880	433,690	1,562,570
2027	1,047,177	400,791	1,447,968
2028	961,900	371,466	1,333,366
Thereafter	11,906,634	1,996,909	13,903,543
	<u>\$ 17,207,414</u>	<u>\$ 4,165,173</u>	<u>\$ 21,372,587</u>

Interest on long-term debt expense amounted to \$521,517 (2022 - \$552,514).

The Town's total cash payments for interest amounted to \$526,817 (2022 - \$560,006).

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9. EQUITY IN TANGIBLE CAPITAL ASSETS

	2023	2022 (Restated) (Note 20)
Tangible capital assets (Schedule 1)	\$ 265,066,896	\$ 262,088,169
Accumulated amortization (Schedule 1)	(124,874,317)	(119,975,595)
Long-term debt (Note 8)	(17,207,414)	(18,243,168)
Asset retirement obligations (Note 7)	(247,618)	(235,865)
	\$ 122,737,547	\$ 123,633,541

10. ACCUMULATED SURPLUS

	2023	2022 (Restated) (Note 20)
Restricted surplus		
General operating reserve (formerly Tax stabilization)	\$ (789,572)	\$ (1,952,882)
Safety initiative	-	145,973
Snow removal	336,662	32,794
Utility stabilization	-	709,292
Capital renewal projects (formerly General capital projects)	7,972,602	(338,186)
Water capital projects	-	5,969,040
Capital growth projects (formerly Sanitary capital projects)	3,586,681	3,928,419
Stormwater capital projects	-	383,313
Transportation projects	-	547,042
Library	286,437	255,668
Fleet and equipment replacement	-	521,474
Parks, recreation and culture	339,173	295,494
Land	441,482	441,482
Offsite levies - transportation	337,979	308,080
Offsite levies - sanitary	(215,036)	(240,487)
Offsite levies - water	(3,296,908)	(3,323,847)
Offsite levies - stormwater	35,456	35,453
	9,034,956	7,718,122
Equity in tangible capital assets (Note 9)	122,737,547	123,633,541
	\$ 131,772,506	\$ 131,351,661

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11. SALARIES AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the Chief Administrative Officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salary (1)	Benefits (2)	2023 Total	2022 Total
Mayor S. Boersma	\$ 70,417	\$ 6,481	\$ 76,898	\$ 78,676
Councillors				
R. Balanko	43,336	8,642	51,978	50,175
J. Anheliger	40,186	8,454	48,640	49,964
R. White	39,686	8,424	48,110	50,122
S. Dafoe	39,536	8,416	47,952	48,537
S. Richardson	38,486	8,353	46,839	46,280
M. St. Denis	38,036	8,326	46,362	46,914
Chief Administrative Officer	213,185	36,901	250,086	293,587

(1) Salary includes regular base pay, per diem payments and any other direct cash remuneration.

(2) Benefits and allowances include the employer's share of the employee benefits and contributions made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

12. DEBT LIMITS

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Town be disclosed as follows:

	2023	2022
Total debt limit	\$ 39,461,420	\$ 36,651,728
Total debt	(17,207,414)	(18,243,168)
Amount of total debt limit unused	\$ 22,254,006	\$ 18,408,560
Debt servicing limit	\$ 6,576,903	\$ 6,108,621
Debt servicing	(1,562,570)	(1,562,570)
Amount of debt servicing limit unused	\$ 5,014,333	\$ 4,546,051

The debt limit is calculated at 1.50 times revenue of the Town (as defined in the Alberta Regulation 255/2000) and the debt service limit is calculated as 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are a conservative guideline used by Alberta Municipal Affairs to identify municipalities that could be at a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Town. Rather, the financial statements must be interpreted as a whole.

13. CONTINGENCIES

- (a) The Town is a member of the Alberta Municipal Insurance Exchange. Under the terms of membership, the Town 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.
- (b) The Town is involved in a legal dispute as at December 31, 2023, the outcome of which is not determinable at year-end. Any related settlements not covered by insurance will be recorded as an expense in the year incurred.

14. FRANCHISE FEES

Disclosure of franchise fees under each utility franchise agreement entered into by the Town as required by Alberta Regulation 313/2000 is as follows:

	Budget 2023 (Note18)	Actual 2023	Actual 2022
Fortis Alberta	\$ 1,191,853	\$ 1,194,531	\$ 1,176,991
AltaGas Ltd.	876,600	781,565	757,190
	\$ 2,068,453	\$ 1,976,096	\$ 1,934,181

15. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is covered by the *Public Sector Pension Plans Act*. LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

The Town is required to make current service contributions to the Plan of 8.45% of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 12.23% for the excess. Employees of the Town are required to make current service contributions of 7.45% of pensionable earnings up to the year's maximum pensionable earnings and 11.23% on pensionable earnings above this amount.

Total current and past service contributions made by the Town to the LAPP in 2023 were \$647,542 (2022 - \$628,896). Total current and past service contributions made by the employees of the Town to the LAPP in 2023 were \$577,790 (2022 - \$551,497).

At December 31, 2022, the LAPP disclosed an actuarial surplus of \$12.7 billion (2021 - \$11.9 billion).

16. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, accounts receivables, loans receivable, accounts payable and accrued liabilities, deposit liabilities and long-term debt. It is management's opinion that the Town is not exposed to significant currency, liquidity, market or other price risk arising from these financial instruments. Unless otherwise noted, the carrying value of the financial instruments approximates their fair value.

Credit risk

The Town is exposed to credit risk with respect to receivables. Credit risk arises from the possibility that ratepayers and other customers may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of ratepayers and other customers minimizes the Town's credit risk.

Interest rate risk

Interest rate risk is the risk that the Town's annual surplus will be affected by the fluctuation and degree of volatility in interest rates. Interest rate risk on the Town's long term debt is managed through fixed rate debentures with the Province of Alberta (Note 8).

17. SEGMENTED INFORMATION

The Town provides a range of services to its residents. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1. For additional information see the Schedule of Segment Disclosure (Schedule 4).

18. BUDGET FIGURES

	Budget 2023
Annual surplus (per statement of operations and accumulated surplus)	\$ (4,135,965)
Amortization	7,091,364
Purchase of tangible capital assets	(3,844,980)
Debenture repayments	(1,035,754)
Net transfers from restricted surplus (per below)	1,925,335
	\$ -
Purchase of tangible capital assets funded from restricted surplus	\$ 1,905,681
Debenture repayments funded from restricted surplus	1,035,754
Tax supported deficit funded from restricted surplus	1,534,911
Utility supported surplus transferred to restricted surplus	(2,551,011)
Net transfers from restricted surplus	\$ 1,925,335

The budget data presented in these financial statements is based on the operating and capital budgets approved by the Town Council on December 6, 2022. The chart above reconciles the approved financial plan to the figures reported in these financial statements.

19. CREDIT FACILITIES

The Town is authorized for overdraft on its main operating bank account of \$1,000,000 that is available, if needed, for operating cash flow. The interest rate is set at prime minus 0.50%. The loan has not been drawn upon as of December 31, 2023 or December 31, 2022. The loan is secured by a general security agreement over the assets of the Town.

20. RESTATEMENT

Effective January 1, 2023 the Town adopted the new accounting standard PS 3280 Asset Retirement Obligations and applied the standard using the modified retroactive approach with a restatement of prior year comparative figures.

On January 1, 2023, the Town recognized the following to conform to the new standard:

- Asset retirement obligations, adjusted for accumulated accretion to the effective date;
- asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets in productive use;
- accumulated amortization on the capitalized cost; and
- adjustment to the opening balance of accumulated surplus.

A summary of the changes are as follows:

- The recording of an asset retirement obligation totaling \$235,865
- An increase in tangible capital assets of \$13,528
- A decrease in annual surplus of \$12,449
- A decrease in opening accumulated surplus of \$209,888

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.
