

**TOWN OF MORINVILLE**  
**Financial Statements**  
**For the Year Ended December 31, 2017**

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**INDEPENDENT AUDITORS' REPORT**

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To the Mayor and Council of the Town of Morinville

We have audited the accompanying financial statements of the Town of Morinville, which comprise the statement of financial position as at December 31, 2017, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Town of Morinville as at December 31, 2017, and the results of its operations and accumulated surplus, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**METRIX GROUP LLP**

Chartered Professional Accountants

Edmonton, Alberta  
March 27, 2018



**TOWN OF MORINVILLE**  
**Statement of Financial Position**  
**As At December 31, 2017**

	2017	2016
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 2)	\$ 8,186,130	\$ 11,499,584
Accounts receivable (Note 3)	2,957,393	1,966,412
Investments (Note 4)	2,935,436	-
	<u>14,078,959</u>	<u>13,465,996</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 5)	2,792,330	1,377,337
Deposit liabilities	456,151	466,386
Deferred revenue (Note 6)	4,770,062	4,746,436
Long-term debt (Note 7)	2,302,341	3,070,240
	<u>10,320,884</u>	<u>9,660,399</u>
<b>NET FINANCIAL ASSETS</b>	<u>3,758,075</u>	<u>3,805,597</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	115,810	127,234
Tangible Capital Assets (Schedule 1)	129,451,121	128,056,310
	<u>129,566,931</u>	<u>128,183,544</u>
<b>ACCUMULATED SURPLUS (Note 9)</b>	<u>\$133,325,006</u>	<u>\$131,989,141</u>
<b>CONTINGENCIES (Note 12)</b>		
<b>COMMITMENTS (Note 13)</b>		

**ON BEHALF OF TOWN COUNCIL:**

\_\_\_\_\_ *Mayor*

\_\_\_\_\_ *Deputy Mayor*

**TOWN OF MORINVILLE**

**Statement of Operations and Accumulated Surplus**

**For the Year Ended December 31, 2017**

	Budget 2017 (Note18)	Actual 2017	Actual 2016
<b>REVENUE</b>			
Net taxation (Schedule 2)	\$ 8,927,051	\$ 8,916,207	\$ 8,683,283
Water fees	2,648,070	2,578,936	2,589,562
Wastewater fees	1,802,384	1,747,935	1,752,959
Franchise fees (Note 14)	1,561,283	1,570,430	1,474,758
Government transfers for operating (Schedule 3)	755,261	937,057	922,660
Solid waste fees	803,515	826,027	740,767
Sales to other governments	812,159	733,946	789,918
Other	187,495	657,241	318,838
Penalties and fines	706,577	638,869	713,162
Rentals	361,398	327,023	366,769
Development fees and permits	336,300	297,642	288,830
Offsite levies	-	186,430	227,289
Investment income	170,000	150,684	164,124
Sales and user charges	88,900	143,806	162,071
	<b>19,160,393</b>	<b>19,712,233</b>	<b>19,194,990</b>
<b>EXPENSES</b>			
Public works	5,740,249	5,624,367	5,425,253
General administration	4,483,352	4,380,944	3,693,752
Protective services	3,184,809	2,801,636	2,746,154
Parks and recreation	2,782,436	2,685,081	3,115,354
Water	2,471,249	2,429,662	2,622,941
Wastewater	1,920,082	1,831,763	1,701,315
Solid waste	1,134,027	1,215,759	1,169,394
Planning and development	996,587	861,933	870,354
Library	433,753	655,969	542,576
Family and community support services	251,093	368,307	361,675
Council and legislative	365,877	273,917	269,820
	<b>23,763,514</b>	<b>23,129,338</b>	<b>22,518,588</b>
<b>ANNUAL DEFICIT BEFORE OTHER ITEMS</b>	<b>(4,603,121)</b>	<b>(3,417,105)</b>	<b>(3,323,598)</b>
<b>OTHER ITEMS</b>			
Government transfers for capital (Schedule 3)	25,825,300	2,688,942	968,678
Contributed tangible capital assets	-	2,047,175	2,229,693
Gain on disposal of tangible capital assets	-	16,853	41,438
	<b>25,825,300</b>	<b>4,752,970</b>	<b>3,239,809</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>21,222,179</b>	<b>1,335,865</b>	<b>(83,789)</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>131,989,141</b>	<b>131,989,141</b>	<b>132,072,930</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$153,211,320</b>	<b>\$133,325,006</b>	<b>\$131,989,141</b>

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

**TOWN OF MORINVILLE**

**Statement of Changes in Net Financial Assets**

**For the Year Ended December 31, 2017**

	Budget 2017 (Note18)	Actual 2017	Actual 2016
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ 21,222,179	\$ 1,335,865	\$ (83,789)
Purchase of tangible capital assets	(27,624,300)	<b>(5,470,837)</b>	(2,378,777)
Contributed tangible capital assets	-	<b>(2,047,175)</b>	(2,229,693)
Proceeds on disposal of tangible capital assets	-	<b>323,341</b>	86,858
Amortization of tangible capital assets	5,504,820	<b>5,816,713</b>	5,660,612
Gain on disposal of tangible capital assets	-	<b>(16,853)</b>	(41,438)
	<b>(22,119,480)</b>	<b>(1,394,811)</b>	1,097,562
Use (acquisition) of prepaid expenses	-	<b>11,424</b>	(11,849)
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(897,301)	<b>(47,522)</b>	1,001,924
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	3,805,597	<b>3,805,597</b>	2,803,673
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	\$ 2,908,296	\$ <b>3,758,075</b>	\$ 3,805,597

**TOWN OF MORINVILLE****Statement of Cash Flows****For the Year Ended December 31, 2017**

	2017	2016
<b>OPERATING ACTIVITIES</b>		
Annual Surplus (Deficit)	\$ 1,335,865	\$ (83,789)
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	5,816,713	5,660,612
Contributed tangible capital assets	(2,047,175)	(2,229,693)
Amortization of net investment premiums	16,751	-
Gain on disposal of tangible capital assets	(16,853)	(41,438)
	<u>5,105,301</u>	<u>3,305,692</u>
Change in non-cash working capital balances:		
Accounts receivable	(990,981)	732,198
Prepaid expenses	11,424	(11,849)
Accounts payable and accrued liabilities	1,414,993	(1,017,292)
Deposit liabilities	(10,235)	131,769
Deferred revenue	23,626	1,653,778
	<u>448,827</u>	<u>1,488,604</u>
	<u>5,554,128</u>	<u>4,794,296</u>
<b>FINANCING ACTIVITIES</b>		
Long-term debt principal repayments	(767,899)	(1,073,488)
<b>CAPITAL ACTIVITIES</b>		
Purchase of tangible capital assets	(5,470,837)	(2,378,777)
Proceeds on disposal of tangible capital assets	323,341	86,858
	<u>(5,147,496)</u>	<u>(2,291,919)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(2,952,187)	-
<b>CHANGE IN CASH AND CASH EQUIVALENTS FOR THE YEAR</b>	<b>(3,313,454)</b>	<b>1,428,889</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>11,499,584</b>	<b>10,070,695</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 8,186,130</b>	<b>\$ 11,499,584</b>

## Schedule of Tangible Capital Assets

For the Year Ended December 31, 2017

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2017	2016
<b>COST:</b>								
Balance, Beginning of Year	\$ 11,984,117	\$ 5,118,632	\$ 23,137,542	\$ 163,176,594	\$ 4,596,010	\$ 3,402,468	\$ 211,415,363	\$ 206,984,245
Acquisition of tangible capital assets	1,236,990	437,449	1,572,350	3,489,294	683,135	98,794	7,518,012	4,608,470
Disposal of tangible capital assets	(298,987)	-	-	-	(160,146)	(23,128)	(482,261)	(177,352)
Balance, End of Year	12,922,120	5,556,081	24,709,892	166,665,888	5,118,999	3,478,134	218,451,114	211,415,363
<b>ACCUMULATED AMORTIZATION:</b>								
Balance, Beginning of Year	-	2,360,345	7,624,239	69,517,173	2,409,292	1,448,004	83,359,053	77,830,373
Annual amortization	-	263,172	671,358	4,232,622	424,167	225,394	5,816,713	5,660,612
Accumulated amortization on disposals	-	-	-	-	(152,645)	(23,128)	(175,773)	(131,932)
Balance, End of Year	-	2,623,517	8,295,597	73,749,795	2,680,814	1,650,270	88,999,993	83,359,053
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 12,922,120</b>	<b>\$ 2,932,564</b>	<b>\$ 16,414,295</b>	<b>\$ 92,916,093</b>	<b>\$ 2,438,185</b>	<b>\$ 1,827,864</b>	<b>\$ 129,451,121</b>	<b>\$ 128,056,310</b>

Cost includes construction in progress of \$3,231,663 (2016 - \$717,379). These amounts are not amortized until the asset is completed and in use.

## Schedule of Property Taxes

For the Year Ended December 31, 2017

	Budget 2017 (Note18)	Actual 2017	Actual 2016
<b>TAXATION</b>			
Real property taxes	\$ 12,308,559	\$ 12,313,047	\$ 11,809,131
Linear property taxes	115,774	115,774	113,790
Government grants in place of property taxes	39,797	24,465	42,166
	<u>12,464,130</u>	<u>12,453,286</u>	<u>11,965,087</u>
<b>DEDUCT:</b>			
Education	3,414,208	3,414,208	3,160,150
Seniors Foundation	122,871	122,871	121,654
	<u>3,537,079</u>	<u>3,537,079</u>	<u>3,281,804</u>
<b>NET MUNICIPAL PROPERTY TAXES</b>	<u>\$ 8,927,051</u>	<u>\$ 8,916,207</u>	<u>\$ 8,683,283</u>



## Schedule of Government Transfers

For the Year Ended December 31, 2017

	Budget 2017 (Note18)	Actual 2017	Actual 2016
<b>GOVERNMENT TRANSFERS FOR OPERATING</b>			
Provincial	\$ 651,104	\$ 762,424	\$ 768,715
Local Governments	104,157	170,790	121,450
Federal	-	3,843	32,495
	<u>755,261</u>	<u>937,057</u>	<u>922,660</u>
<b>GOVERNMENT TRANSFERS FOR CAPITAL</b>			
Provincial	25,825,300	2,688,942	968,678
	<u>\$ 26,580,561</u>	<u>\$ 3,625,999</u>	<u>\$ 1,891,338</u>

**TOWN OF MORINVILLE**

**Schedule of Segmented Information**

**For the Year Ended December 31, 2017**

	General Administration	Protective Services	Parks and Recreation	Public Works	Water, Wastewater and Solid Waste	Planning and Development	Other	Total
<b>REVENUE</b>								
Net taxation	\$ 1,559,015	\$ 1,626,768	\$ 2,271,830	\$ 2,073,883	\$ -	\$ 590,305	\$ 794,406	\$ 8,916,207
Water, wastewater and solid waste fees	-	-	-	-	5,152,898	-	-	5,152,898
Franchise fees	1,570,430	-	-	-	-	-	-	1,570,430
Government transfers	74,942	379,144	108,000	-	-	-	374,971	937,057
Sales to other governments	41,178	257,444	-	-	409,386	659	25,279	733,946
Other	521,931	22,954	74,462	22,290	-	(3,000)	18,604	657,241
Penalties and fines	123,369	482,547	-	-	25,989	-	6,964	638,869
Rentals	142,210	174	183,614	-	-	-	1,025	327,023
Development fees and permits	-	23,984	-	-	-	273,658	-	297,642
Offsite levies	186,430	-	-	-	-	-	-	186,430
Investment income	150,684	-	-	-	-	-	-	150,684
Sales and user charges	10,755	8,621	47,175	-	-	311	76,944	143,806
	4,380,944	2,801,636	2,685,081	2,096,173	5,588,273	861,933	1,298,193	19,712,233
<b>EXPENSES</b>								
Salaries, wages and benefits	2,568,912	1,038,796	1,060,688	1,328,668	901,117	397,303	942,460	8,237,944
Contracted and general services	888,633	1,357,929	201,748	174,489	856,741	435,034	95,597	4,010,171
Materials, goods and utilities	402,502	202,131	538,412	1,048,992	307,961	2,339	184,785	2,687,122
Purchases from other governments	-	-	-	-	1,952,555	-	-	1,952,555
Transfers to governments	124,315	-	24,000	-	-	27,257	75,168	250,740
Interest on long-term debt	53,717	-	19,293	7,162	-	-	-	80,172
Bank charges and short-term interest	64,995	-	-	-	-	-	183	65,178
Other expenses	12,998	-	-	-	15,745	-	-	28,743
Amortization of tangible capital assets	264,872	202,780	840,940	3,065,056	1,443,065	-	-	5,816,713
	4,380,944	2,801,636	2,685,081	5,624,367	5,477,184	861,933	1,298,193	23,129,338
<b>ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,528,194)</b>	<b>\$ 111,089</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,417,105)</b>

Schedule of Expenditures by Object  
For the Year Ended December 31, 2017

	Budget 2017 (Note18)	Actual 2017	Actual 2016
Salaries, wages and benefits	\$ 7,927,569	\$ 8,237,944	\$ 7,723,014
Contracted and general services	4,598,654	4,010,171	4,052,943
Materials, goods and utilities	2,909,742	2,687,122	2,732,992
Purchases from other governments	2,038,341	1,952,555	1,948,779
Transfers to governments, agencies and organizations	651,253	250,740	223,571
Interest on long-term debt	82,845	80,172	93,322
Bank charges and short-term interest	26,300	65,178	57,118
Other expenses	23,990	28,743	26,237
Amortization	5,504,820	5,816,713	5,660,612
	<u>\$ 23,763,514</u>	<u>\$ 23,129,338</u>	<u>\$ 22,518,588</u>

**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, revenues, and expenditures, and changes in equity balances and cash flows of the Town.

**(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) Investments**

Investments are recorded at amortized cost. Investment premiums and discounts are amortized 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. Gains on principal protected notes are recognized as income when sold.

**(e) 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 municipality and are recognized as revenue in the year the tax is levied.

**(f) 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 management uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

**(g) 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.

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

**(h) 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.

**(i) 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 consolidated change in net 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.

**(j) 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.

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**TOWN OF MORINVILLE**  
**Notes to Financial Statements**  
**December 31, 2017**

**2. CASH AND CASH EQUIVALENTS**

	<u>2017</u>	<u>2016</u>
Bank accounts	\$ 3,137,893	\$ 2,428,392
Temporary investments	2,974,665	-
Guaranteed Investment Certificate	2,000,000	9,000,000
Servus Credit Union common shares	70,758	68,378
Petty cash	2,814	2,814
	<u>\$ 8,186,130</u>	<u>\$ 11,499,584</u>

The Guaranteed Investment Certificate has an effective interest rate of 1.65% and matures on February 23, 2018. Temporary investments are readily convertible to cash and consist of investment cash accounts, money market funds and a short-term corporate bond with an effective interest rate of 1.67% and matures on June 30, 2018.

**3. ACCOUNTS RECEIVABLE**

	<u>2017</u>	<u>2016</u>
Government transfers	\$ 1,041,993	\$ 506,890
Trade	673,263	350,281
Property taxes	621,312	467,332
Utilities	514,639	542,137
Goods and Services Tax	136,186	129,772
	<u>2,987,393</u>	<u>1,996,412</u>
Allowance for doubtful accounts	<u>(30,000)</u>	<u>(30,000)</u>
	<u>\$ 2,957,393</u>	<u>\$ 1,966,412</u>

**4. INVESTMENTS**

	<u>2017</u>		<u>2016</u>	
	Carrying Value	Market Value	Carrying Value	Market Value
Guaranteed Investment Certificates	\$ 2,151,352	\$ 2,133,156	\$ -	\$ -
Principal protected note	400,000	392,844	-	-
Corporate bond	384,084	381,586	-	-
	<u>\$ 2,935,436</u>	<u>\$ 2,907,586</u>	<u>\$ -</u>	<u>\$ -</u>

Guaranteed Investment Certificates have effective interest rates ranging from 1.94% to 2.76% and maturity dates ranging from December 31, 2018 to July 25, 2024. The Corporate bond has an effective interest rate of 2.32% and matures on June 30, 2019.

The market value of the bonds and principal protected notes are based on quoted market values. The market value of the bonds and principal protected notes fluctuate with changes in market interest rates and indices. 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. Market values are based on market conditions at a certain point in time and as such, may not be reflective of future fair values.

**TOWN OF MORINVILLE**  
**Notes to Financial Statements**  
**December 31, 2017**

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**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2017</u>	<u>2016</u>
Trade	<b>\$ 2,461,763</b>	\$ 1,036,181
Government payroll remittances	<b>123,323</b>	120,247
Vacation	<b>100,491</b>	95,209
Construction holdbacks	<b>95,273</b>	111,693
Accrued interest on long-term debt	<b>11,480</b>	14,007
	<b><u>\$ 2,792,330</u></b>	<b><u>\$ 1,377,337</u></b>

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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.

	<u>2017</u>	<u>2016</u>
Provincial government transfers		
Municipal sustainability initiative grant	<b>\$ 2,650,720</b>	\$ 2,194,553
Federal gas tax fund grant	<b>880,579</b>	1,189,846
Affordable housing grant	<b>773,980</b>	766,317
Basic municipal transportation grant	<b>451,762</b>	556,596
Other	<b>13,021</b>	39,124
	<b><u>\$ 4,770,062</u></b>	<b><u>\$ 4,746,436</u></b>

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**TOWN OF MORINVILLE**  
**Notes to Financial Statements**  
**December 31, 2017**

**7. LONG-TERM DEBT**

	<u>2017</u>	<u>2016</u>
Debenture debt held by Alberta Capital Finance Authority, repayable in semi-annual installments of \$114,602 including interest at 2.634%; due June 15, 2027.	<b>\$ 1,915,300</b>	\$ 2,090,584
Debenture debt held by Alberta Capital Finance Authority, repayable in annual installments of \$69,137 including interest at 6%; due August 15, 2022.	<b>291,232</b>	339,971
Debenture debt held by Alberta Capital Finance Authority, repayable in semi-annual installments of \$52,258 including interest at 6%; due June 15, 2019.	<b>95,809</b>	139,685
Mortgage debt on land purchase, repayable in annual interest-free installments of \$500,000.	-	500,000
	<b>\$ 2,302,341</b>	<b>\$ 3,070,240</b>

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 278,104	\$ 72,494	\$ 350,598
2019	288,765	61,833	350,598
2020	247,649	50,692	298,341
2021	256,159	42,182	298,341
2022	265,011	33,330	298,341
Thereafter	966,653	64,764	1,031,417
	<b>\$ 2,302,341</b>	<b>\$ 325,295</b>	<b>\$ 2,627,636</b>

Interest on long-term debt expense amounted to \$80,172 (2016 - \$93,322).

The Town's total cash payments for interest amounted to \$82,699 (2016 - \$96,023).



**TOWN OF MORINVILLE**  
**Notes to Financial Statements**  
**December 31, 2017**

**8. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<u>2017</u>	<u>2016</u>
Tangible capital assets (Schedule 1)	<b>\$218,451,114</b>	\$211,415,363
Accumulated amortization (Schedule 1)	<b>(88,999,993)</b>	(83,359,053)
Long-term debt (Note 7)	<b>(2,302,341)</b>	(3,070,240)
	<b><u>\$127,148,780</u></b>	<b><u>\$124,986,070</u></b>

**9. ACCUMULATED SURPLUS**

	<u>2017</u>	<u>2016</u>
Restricted surplus		
General operating	<b>\$ 500,000</b>	\$ 1,000,000
Safety initiative	<b>329,446</b>	153,598
Water operating	<b>260,019</b>	258,956
Sanitary & solid waste operating	<b>175,799</b>	175,296
General capital	<b>949,486</b>	3,246,553
Water capital	<b>1,052,647</b>	156,480
Sanitary capital	<b>2,189,721</b>	1,649,826
Storm sewer capital	<b>110,077</b>	857,719
Transportation	<b>815,971</b>	217,304
Fire vehicles	<b>138,525</b>	136,519
Library	<b>73,034</b>	71,977
Public works vehicles	<b>689,681</b>	354,710
Parks, recreation and culture	<b>76,194</b>	75,091
Recreation - developer	<b>311,443</b>	306,934
Offsite levies - transportation	<b>1,516,220</b>	1,366,950
Offsite levies - sanitary	<b>381,409</b>	368,167
Offsite levies - water	<b>(3,393,446)</b>	(3,393,009)
	<b><u>6,176,226</u></b>	<b><u>7,003,071</u></b>
Equity in tangible capital assets (Note 8)	<b><u>127,148,780</u></b>	<b><u>124,986,070</u></b>
	<b><u>\$133,325,006</u></b>	<b><u>\$131,989,141</u></b>

**TOWN OF MORINVILLE**  
**Notes to Financial Statements**  
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**10. 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)	2017 Total	2016 Total
Mayor L. Holmes	\$ 27,571	\$ 5,881	\$ 33,452	\$ 41,465
Mayor B. Turner	9,553	1,346	10,899	-
<b>Councillors</b>				
S. Dafoe	25,973	6,641	32,614	31,624
N. Boutestein	25,426	6,639	32,065	28,110
B. Turner	14,521	5,246	19,767	23,605
R. Ladouceur	14,371	5,240	19,611	25,942
G. Putnam	14,001	5,226	19,227	26,013
B. Fitzgerald	15,914	2,302	18,216	25,263
S. Richardson	5,352	1,152	6,504	-
R. Balanko	5,302	1,150	6,452	-
L. Giffin	5,302	1,150	6,452	-
S. Hall	5,252	1,148	6,400	-
Chief Administrative Officer	149,063	33,601	182,664	161,236
Chief Administrative Officer	-	-	-	100,154
Designated Officers	394,188	100,708	494,896	472,228

(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.

**TOWN OF MORINVILLE**  
**Notes to Financial Statements**  
**December 31, 2017**

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**11. 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:

	<u>2017</u>	<u>2016</u>
Total debt limit	<b>\$ 29,568,350</b>	\$ 28,792,485
Total debt	<b>(2,302,341)</b>	(3,070,240)
Amount of total debt limit unused	<b>\$ 27,266,009</b>	\$ 25,722,245
Debt servicing limit	<b>\$ 4,928,058</b>	\$ 4,798,748
Debt servicing	<b>(350,598)</b>	(851,049)
Amount of debt servicing limit unused	<b>\$ 4,577,460</b>	\$ 3,947,699

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.

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**12. 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 in the process of constructing a new recreation facility, the Morinville Regional Recreation Facility, which includes a new arena. The future use of the current arena is not yet determinable. If the Town chooses to demolish the current arena, it will incur deconstruction/demolition costs estimated between \$1,500,000 - \$2,000,000. Due to the uncertainty regarding the current arena site, a contingent liability has not been recorded as of year-end.
  - (c) The Town is involved in various legal disputes at December 31, 2017, the outcomes of which are not determinable at year end. Any related settlements not covered by insurance will be recorded as an expense in the year incurred.
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**TOWN OF MORINVILLE**  
**Notes to Financial Statements**  
**December 31, 2017**

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**13. COMMITMENTS**

The Town has executed a Guaranteed Maximum Price construction contract to construct the Morinville Regional Recreation Facility in the amount of \$23,321,551, excluding Goods and Services Tax. Costs incurred under the contract totals \$145,659 as of December 31, 2017, with an outstanding commitment of \$23,175,892. The Town has also entered into a professional services agreement related to the Morinville Regional Recreation Facility project in the amount of \$771,400, excluding Goods and Services Tax. Costs incurred under the agreement totals \$546,083 as of December 31, 2017, with an outstanding commitment of \$225,317. Project completion is expected to occur in May of 2019. The Town expects to issue debentures, with government transfers (grants) financing the project long-term.

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**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 2017 (Note18)	Actual 2017	Actual 2016
Fortis Alberta	\$ 946,579	\$ 961,230	\$ 903,652
AltaGas Ltd.	614,704	609,200	571,106
	<b>\$ 1,561,283</b>	<b>\$ 1,570,430</b>	<b>\$ 1,474,758</b>

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**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 11.39% of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 15.84% for the excess. Employees of the Town are required to make current service contributions of 10.39% of pensionable earnings up to the year's maximum pensionable earnings and 14.84% on pensionable earnings above this amount.

Total current and past service contributions made by the Town to the LAPP in 2017 were \$597,970 (2016 - \$555,139). Total current and past service contributions made by the employees of the Town to the LAPP in 2017 were \$550,179 (2016 - \$510,462).

At December 31, 2016, the LAPP disclosed an actuarial deficit of \$637 million (2015 - \$923 million).

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**TOWN OF MORINVILLE**

**Notes to Financial Statements**

**December 31, 2017**

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**16. FINANCIAL INSTRUMENTS**

The Town's financial instruments consist of cash and cash equivalents, investments, accounts receivables, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Town is not exposed to significant interest, liquidity, currency or credit risk arising from these financial instruments

Unless otherwise noted, the fair value of these financial instruments approximates their carrying value.

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**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).

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**18. BUDGET FIGURES**

	<b>Budget 2017</b>
Annual surplus (per statement of operations and accumulated surplus)	<b>\$ 21,222,179</b>
Amortization	<b>5,504,820</b>
Purchase of tangible capital assets	<b>(27,624,300)</b>
Net transfers from restricted surplus (per below)	<b>897,301</b>
	<b>\$ -</b>
Purchase of tangible capital assets funded from restricted surplus	<b>\$ 1,799,000</b>
Tax supported surplus to restricted surplus	<b>388,623</b>
Utility supported surplus to restricted surplus	<b>(1,558,222)</b>
Debenture repayment from restricted surplus	<b>267,900</b>
Net transfers from restricted surplus	<b>\$ 897,301</b>

The budget data presented in these financial statements is based on the operating and capital budgets approved by the Town Council on November 22, 2016. The chart above reconciles the approved financial plan to the figures reported in these financial statements.

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**19. CREDIT FACILITY**

The Town is approved for a revolving demand loan of \$1,000,000 that is available, if needed, for operating cash flow. The interest rate is set at prime minus 0.5%. The loan has not been drawn upon. The loan is secured by the cash and cash equivalents of the Town.

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**20. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by Council and Management.

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