

**TOWN OF MORINVILLE**  
**Financial Statements**  
**For the Year Ended December 31, 2019**

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## INDEPENDENT AUDITORS' REPORT

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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, 2019, 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, 2019, 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 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.

**METRIX GROUP LLP**

Chartered Professional Accountants

Edmonton, Alberta  
May 12, 2020

**TOWN OF MORINVILLE**  
**Statement of Financial Position**  
**As At December 31, 2019**

	2019	2018
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 2)	\$ 5,501,643	\$ 6,989,743
Accounts receivable (Note 3)	5,730,647	6,266,026
Investments (Note 4)	-	1,000,271
	<u>11,232,290</u>	<u>14,256,040</u>
<b>LIABILITIES</b>		
Bank indebtedness (Note 18)	\$ 2,425,476	\$ -
Accounts payable and accrued liabilities (Note 5)	2,984,532	7,012,768
Deposit liabilities	215,158	311,738
Deferred revenue (Note 6)	271,640	285,937
Long-term debt (Note 7)	18,224,397	13,024,236
	<u>24,121,203</u>	<u>20,634,679</u>
<b>NET DEBT</b>	<u>(12,888,913)</u>	<u>(6,378,639)</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	66,805	50,014
Tangible Capital Assets (Schedule 1)	149,640,009	148,071,186
	<u>149,706,814</u>	<u>148,121,200</u>
<b>ACCUMULATED SURPLUS (Note 9)</b>	<u>\$136,817,901</u>	<u>\$141,742,561</u>

**CONTINGENCIES (Note 12)**

**ON BEHALF OF TOWN COUNCIL:**

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

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

**TOWN OF MORINVILLE**  
**Statement of Operations and Accumulated Surplus**  
**For the Year Ended December 31, 2019**

	Budget 2019 (Note17)	Actual 2019	Actual 2018
<b>REVENUE</b>			
Net taxation (Schedule 2)	\$ 9,998,847	\$ 9,948,305	\$ 9,248,052
Water fees	2,979,882	2,856,483	2,838,739
Wastewater and storm fees	2,229,626	2,149,342	1,932,864
Franchise fees (Note 13)	1,724,288	1,754,392	1,659,547
Government transfers for operating (Schedule 3)	1,684,550	1,609,765	983,078
Solid waste fees	857,234	886,353	850,765
Sales to other governments	841,876	813,394	973,643
Penalties and fines	509,856	608,022	521,787
Rentals	377,920	566,323	314,707
Other	378,902	349,964	186,300
Development fees and permits	349,500	277,923	384,694
Sales and user charges	95,750	177,668	176,582
Investment income	100,000	155,687	137,940
Offsite levies	-	64,313	160,785
	22,128,231	22,217,934	20,369,483
<b>EXPENSES</b>			
Public works	5,982,842	6,029,292	5,883,233
General administration	5,293,939	5,406,595	4,875,000
Parks and recreation	5,250,764	4,976,172	2,917,051
Protective services	3,370,675	3,372,159	3,006,399
Water	2,967,629	2,845,765	2,647,718
Wastewater and storm	2,083,859	2,268,221	1,916,255
Solid waste	1,305,831	1,272,532	1,224,333
Planning and development	777,721	786,114	801,218
Library	531,181	726,059	653,871
Family and community support services	388,160	464,101	376,014
Council and legislative	393,460	357,196	340,252
	28,346,061	28,504,206	24,641,344
<b>ANNUAL DEFICIT BEFORE OTHER ITEMS</b>	<b>(6,217,830)</b>	<b>(6,286,272)</b>	<b>(4,271,861)</b>
<b>OTHER ITEMS</b>			
Contributed tangible capital assets	-	988,339	2,052,773
Government transfers for capital (Schedule 3)	6,620,871	373,273	10,624,713
Gain on disposal of tangible capital assets	-	-	11,930
	6,620,871	1,361,612	12,689,416
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>403,041</b>	<b>(4,924,660)</b>	<b>8,417,555</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>141,742,561</b>	<b>141,742,561</b>	<b>133,325,006</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$142,145,602</b>	<b>\$136,817,901</b>	<b>\$141,742,561</b>

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, 2019**

	Budget 2019 (Note17)	Actual 2019	Actual 2018
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ 403,041	\$ (4,924,660)	\$ 8,417,555
Purchase of tangible capital assets	(15,382,186)	(7,669,427)	(22,574,268)
Contributed tangible capital assets	-	(988,339)	(2,052,773)
Proceeds on disposal of tangible capital assets	-	-	89,329
Amortization of tangible capital assets	7,361,428	7,088,943	5,929,577
Gain on disposal of tangible capital assets	-	-	(11,930)
	<u>(8,020,758)</u>	<u>(1,568,823)</u>	<u>(18,620,065)</u>
Use (acquisition) of prepaid expenses	-	(16,791)	65,796
<b>DECREASE IN NET FINANCIAL ASSETS</b>	(7,617,717)	(6,510,274)	(10,136,714)
<b>NET (DEBT) FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>(6,378,639)</u>	<u>(6,378,639)</u>	<u>3,758,075</u>
<b>NET DEBT, END OF YEAR</b>	<u>\$ (13,996,356)</u>	<u>\$ (12,888,913)</u>	<u>\$ (6,378,639)</u>

**TOWN OF MORINVILLE**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2019**

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Annual Surplus (Deficit)	\$ (4,924,660)	\$ 8,417,555
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	7,088,943	5,929,577
Contributed tangible capital assets	(988,339)	(2,052,773)
Amortization of net investment premiums	-	21,966
Loss on disposal of investments	-	15,572
Gain on disposal of tangible capital assets	-	(11,930)
	<u>1,175,944</u>	<u>12,319,967</u>
Change in non-cash working capital balances:		
Accounts receivable	535,379	(3,308,633)
Prepaid expenses	(16,791)	65,796
Accounts payable and accrued liabilities	(4,028,236)	4,220,438
Deposit liabilities	(96,580)	(144,413)
Deferred revenue	(14,297)	(4,484,125)
	<u>(3,620,525)</u>	<u>(3,650,937)</u>
	<u>(2,444,581)</u>	<u>8,669,030</u>
<b>FINANCING ACTIVITIES</b>		
Long-term debt proceeds	6,000,000	11,000,000
Long-term debt principal repayments	(799,839)	(278,105)
Advances on bank indebtedness (Note 18)	2,425,476	-
	<u>7,625,637</u>	<u>10,721,895</u>
<b>CAPITAL ACTIVITIES</b>		
Purchase of tangible capital assets	(7,669,427)	(22,574,268)
Proceeds on disposal of tangible capital assets	-	89,329
	<u>(7,669,427)</u>	<u>(22,484,939)</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds on disposal of investments	1,000,271	1,897,627
<b>CHANGE IN CASH AND CASH EQUIVALENTS FOR THE YEAR</b>	<b>(1,488,100)</b>	<b>(1,196,387)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>6,989,743</b>	<b>8,186,130</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)</b>	<b>\$ 5,501,643</b>	<b>\$ 6,989,743</b>

**Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2019**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2019	2018
<b>COST:</b>								
Balance, Beginning of Year	\$ 12,922,120	\$ 5,859,309	\$ 45,629,639	\$ 169,491,933	\$ 5,501,091	\$ 3,545,009	\$ 242,949,101	\$ 218,451,114
Acquisition of tangible capital assets	-	1,116,773	5,936,328	1,459,236	132,229	13,200	8,657,766	24,627,041
Transfers	-	3,298,399	(6,511,872)	2,793,800	419,673	-	-	-
Disposal of tangible capital assets	-	-	-	-	-	-	-	(129,054)
Balance, End of Year	12,922,120	10,274,481	45,054,095	173,744,969	6,052,993	3,558,209	251,606,867	242,949,101
<b>ACCUMULATED AMORTIZATION:</b>								
Balance, Beginning of Year	-	2,888,042	8,957,817	78,059,414	3,099,167	1,873,475	94,877,915	88,999,993
Annual amortization	-	445,983	1,562,750	4,375,160	483,127	221,923	7,088,943	5,929,577
Accumulated amortization on disposals	-	-	-	-	-	-	-	(51,655)
Balance, End of Year	-	3,334,025	10,520,567	82,434,574	3,582,294	2,095,398	101,966,858	94,877,915
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 12,922,120</b>	<b>\$ 6,940,456</b>	<b>\$ 34,533,528</b>	<b>\$ 91,310,395</b>	<b>\$ 2,470,699</b>	<b>\$ 1,462,811</b>	<b>\$ 149,640,009</b>	<b>\$ 148,071,186</b>

Cost includes construction in progress of \$1,699,073 (2018 - \$23,408,852). These amounts are not amortized until the asset is completed and in use.



## Schedule of Property Taxes

For the Year Ended December 31, 2019

	Budget 2019 (Note17)	Actual 2019	Actual 2018
<b>TAXATION</b>			
Real property taxes	\$ 13,513,601	\$ 13,489,341	\$ 12,708,327
Designated industrial property taxes	140,696	140,696	124,964
Government grants in place of property taxes	52,303	44,993	40,518
	<u>13,706,600</u>	<u>13,675,030</u>	<u>12,873,809</u>
<b>DEDUCT:</b>			
Education	3,581,175	3,599,882	3,501,956
Seniors Foundation	126,178	125,894	123,401
Designated industrial property	400	949	400
	<u>3,707,753</u>	<u>3,726,725</u>	<u>3,625,757</u>
<b>NET MUNICIPAL PROPERTY TAXES</b>	<u>\$ 9,998,847</u>	<u>\$ 9,948,305</u>	<u>\$ 9,248,052</u>

## Schedule of Government Transfers

For the Year Ended December 31, 2019

	Budget 2019 (Note17)	Actual 2019	Actual 2018
<b>GOVERNMENT TRANSFERS FOR OPERATING</b>			
Local Governments	\$ 497,475	\$ 820,558	\$ 221,541
Provincial	1,187,075	789,207	761,537
	1,684,550	1,609,765	983,078
<b>GOVERNMENT TRANSFERS FOR CAPITAL</b>			
Provincial	6,620,871	373,273	10,624,713
	\$ 8,305,421	\$ 1,983,038	\$ 11,607,791

## Schedule of Segmented Information

For the Year Ended December 31, 2019

	General Administration	Protective Services	Parks and Recreation	Public Works	Water, Wastewater and Solid Waste	Planning and Development	Other	Total
<b>REVENUE</b>								
Net taxation	\$ 2,510,377	\$ 2,213,271	\$ 3,709,481	\$ -	\$ -	\$ 522,058	\$ 993,118	\$ 9,948,305
Water, wastewater, storm and solid waste fees	-	-	-	-	5,892,178	-	-	5,892,178
Franchise fees	1,754,392	-	-	-	-	-	-	1,754,392
Government transfers	200,102	379,144	657,154	-	-	-	373,365	1,609,765
Sales to other governments	30,911	278,607	-	-	488,145	3,886	11,845	813,394
Penalties and fines	128,230	446,759	-	-	25,637	-	7,396	608,022
Rentals	155,877	199	409,542	-	-	-	705	566,323
Other	116,834	24,838	160,115	-	-	-	48,177	349,964
Development fees and permits	-	17,753	-	-	-	260,170	-	277,923
Sales and user charges	13,450	11,588	39,880	-	-	-	112,750	177,668
Investment income	155,687	-	-	-	-	-	-	155,687
Offsite levies	64,313	-	-	-	-	-	-	64,313
	5,130,173	3,372,159	4,976,172	-	6,405,960	786,114	1,547,356	22,217,934
<b>EXPENSES</b>								
Salaries, wages and benefits	3,076,918	1,249,269	1,652,260	1,402,165	1,082,147	479,867	1,114,904	10,057,530
Contracted and general services	1,415,511	1,690,163	178,660	236,363	962,288	252,164	112,414	4,847,563
Materials, goods and utilities	376,119	220,667	687,536	1,241,742	725,716	3,186	212,552	3,467,518
Purchases from other governments	-	-	-	-	2,127,561	-	-	2,127,561
Interest on long-term debt	44,288	-	492,876	1,588	-	-	-	538,752
Transfers to governments	117,907	-	2,570	-	-	50,897	107,486	278,860
Other expenses	81,114	-	-	-	2,567	-	-	83,681
Bank charges and short-term interest	13,510	-	288	-	-	-	-	13,798
Amortization of tangible capital assets	281,228	212,060	1,961,982	3,147,434	1,486,239	-	-	7,088,943
	5,406,595	3,372,159	4,976,172	6,029,292	6,386,518	786,114	1,547,356	28,504,206
<b>ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS</b>	<b>\$ (276,422)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (6,029,292)</b>	<b>\$ 19,442</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (6,286,272)</b>

## Schedule of Expenses by Object

For the Year Ended December 31, 2019

	Budget 2019 (Note17)	Actual 2019	Actual 2018
Salaries, wages and benefits	\$ 9,863,485	\$ <b>10,057,530</b>	\$ 8,734,267
Contracted and general services	4,752,048	<b>4,847,563</b>	4,533,581
Materials, goods and utilities	3,524,844	<b>3,467,518</b>	2,783,053
Purchases from other governments	2,192,300	<b>2,127,561</b>	2,099,235
Interest on long-term debt	415,494	<b>538,752</b>	172,209
Transfers to governments, agencies and organizations	202,661	<b>278,860</b>	199,163
Other expenses	20,001	<b>83,681</b>	122,379
Bank charges and short-term interest	13,800	<b>13,798</b>	67,880
Amortization	7,361,428	<b>7,088,943</b>	5,929,577
	<b>\$ 28,346,061</b>	<b>\$ 28,504,206</b>	<b>\$ 24,641,344</b>

**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 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 Town 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 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.

**(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.

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**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 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.

**(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.

**(k) New Accounting Standards not yet Adopted**

Effective for fiscal years beginning on or after April 1, 2021, PS 3280 Asset Retirement Obligations provides guidance on how to account for and report liabilities for retirement of tangible capital assets. Effective for fiscal years beginning on or after April 1, 2022, PS 3400 Revenue provides guidance on how to account for and report revenue, and specifically, it addresses revenue arising from exchange transactions and unilateral transactions.

**TOWN OF MORINVILLE**  
**Notes to Financial Statements**  
**December 31, 2019**

**2. CASH AND CASH EQUIVALENTS**

	<u>2019</u>	<u>2018</u>
Bank accounts	\$ 5,421,767	\$ 5,387,000
Servus Credit Union common shares	75,886	73,221
Petty cash	3,990	2,864
Guaranteed Investment Certificate	-	1,500,000
Temporary investments	-	26,658
	<u>\$ 5,501,643</u>	<u>\$ 6,989,743</u>

**3. ACCOUNTS RECEIVABLE**

	<u>2019</u>	<u>2018</u>
Government transfers	\$ 4,057,592	\$ 3,684,319
Property taxes	702,628	781,563
Utilities	632,709	574,922
Trade	456,008	895,272
Goods and Services Tax	115,768	475,952
	<u>5,964,705</u>	<u>6,412,028</u>
Allowance for doubtful accounts	<u>(234,058)</u>	<u>(146,002)</u>
	<u>\$ 5,730,647</u>	<u>\$ 6,266,026</u>

**4. INVESTMENTS**

	2019		2018	
	Carrying Value	Market Value	Carrying Value	Market Value
Guaranteed Investment Certificates	\$ -	\$ -	\$ 600,271	\$ 581,329
Principal protected note	-	-	400,000	366,624
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,271</u>	<u>\$ 947,953</u>

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**  
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**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2019</u>	<u>2018</u>
Trade	<b>\$ 2,598,748</b>	\$ 4,850,483
Vacation	<b>164,760</b>	117,775
Accrued interest on long-term debt	<b>150,404</b>	111,194
Government payroll remittances	<b>70,620</b>	151,264
Construction holdbacks	-	1,782,052
	<b>\$ 2,984,532</b>	<b>\$ 7,012,768</b>

**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 expenses are incurred.

	<u>2019</u>	<u>2018</u>
Other	<b>\$ 271,640</b>	\$ 285,937
Government transfers	-	-
	<b>\$ 271,640</b>	<b>\$ 285,937</b>



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**7. LONG-TERM DEBT**

	<u>2019</u>	<u>2018</u>
Debenture debt held by Alberta Capital Finance Authority, repayable in semi-annual installments of \$374,750 including interest at 3.209%; due September 17, 2038.	<b>\$ 10,600,310</b>	\$ 11,000,000
Debenture debt held by Alberta Capital Finance Authority, repayable in semi-annual installments of \$199,284 including interest at 2.930%; due March 15, 2039.	<b>5,888,616</b>	-
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>1,550,666</b>	1,735,368
Debenture debt held by Alberta Capital Finance Authority, repayable in annual installments of \$69,137 including interest at 6%; due August 15, 2022.	<b>184,805</b>	239,568
Debenture debt held by Alberta Capital Finance Authority, repayable in semi-annual installments of \$52,258 including interest at 6%; due June 15, 2019.	-	49,300
	<b><u>\$ 18,224,397</u></b>	<b><u>\$ 13,024,236</u></b>

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 887,955	\$ 558,453	<b>\$ 1,446,408</b>
2021	916,532	529,876	<b>1,446,408</b>
2022	946,081	500,327	<b>1,446,408</b>
2023	907,502	469,769	<b>1,377,271</b>
2024	934,957	442,314	<b>1,377,271</b>
Thereafter	13,631,370	3,213,855	<b>16,845,225</b>
	<b><u>\$ 18,224,397</u></b>	<b><u>\$ 5,714,594</u></b>	<b><u>\$ 23,938,991</u></b>

Interest on long-term debt expense amounted to \$538,752 (2018 - \$172,209).

The Town's total cash payments for interest amounted to \$499,542 (2018 - \$72,494).

**TOWN OF MORINVILLE**  
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**8. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<u>2019</u>	<u>2018</u>
Tangible capital assets (Schedule 1)	\$ 251,606,867	\$ 242,949,101
Accumulated amortization (Schedule 1)	(101,966,858)	(94,877,915)
Long-term debt (Note 7)	(18,224,397)	(13,024,236)
Unused portion of long-term debt	263,907	-
	<u>\$ 131,679,519</u>	<u>\$ 135,046,950</u>

**9. ACCUMULATED SURPLUS**

	<u>2019</u>	<u>2018</u>
Restricted surplus		
General operating	\$ (1,837,037)	\$ 217,734
Safety initiative	271,331	434,132
Water operating	569,522	283,874
Sanitary & solid waste operating	192,746	193,286
General capital	348,138	564,535
Water capital	2,699,236	1,898,194
Sanitary capital	3,245,447	2,823,191
Storm sewer capital	269,206	111,694
Transportation	725,753	773,884
Fire vehicles	89,299	88,240
Library	171,972	98,933
Public works vehicles	550,278	635,956
Parks, recreation and culture	328,241	77,313
Recreation - developer	319,810	316,018
Offsite levies - transportation	1,533,020	1,652,114
Offsite levies - sanitary	(893,843)	(69,597)
Offsite levies - water	(3,444,737)	(3,403,890)
	<u>5,138,382</u>	<u>6,695,611</u>
Equity in tangible capital assets (Note 8)	<u>131,679,519</u>	<u>135,046,950</u>
	<u>\$ 136,817,901</u>	<u>\$ 141,742,561</u>

**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)	<b>2019 Total</b>	2018 Total
Mayor B. Turner	\$ 54,914	\$ 9,106	<b>\$ 64,020</b>	\$ 54,599
Councillors				
S. Hall	34,138	7,498	<b>41,636</b>	34,320
S. Dafoe	32,888	7,426	<b>40,314</b>	35,826
L. Giffin	31,388	7,325	<b>38,713</b>	35,618
N. Boutestein	30,987	7,316	<b>38,303</b>	34,164
R. Balanko	30,837	7,307	<b>38,144</b>	36,948
S. Richardson	27,437	7,112	<b>34,549</b>	33,385
Chief Administrative Officers	200,069	43,986	<b>244,055</b>	231,675
Designated Officers	600,171	132,339	<b>732,510</b>	703,902

(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.

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**TOWN OF MORINVILLE**  
**Notes to Financial Statements**  
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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>2019</u>	<u>2018</u>
Total debt limit	<b>\$ 33,326,901</b>	\$ 30,554,225
Total debt	<b>(18,224,397)</b>	(13,024,236)
Amount of total debt limit unused	<b>\$ 15,102,504</b>	\$ 17,529,989
Debt servicing limit	<b>\$ 5,554,484</b>	\$ 5,092,371
Debt servicing	<b>(1,446,408)</b>	(1,100,098)
Amount of debt servicing limit unused	<b>\$ 4,108,076</b>	\$ 3,992,273

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) In 2019 the Town completed construction of a new recreation facility, the Morinville Leisure Centre, which includes a new arena. The future use of the old arena (Ray McDonald Sports Center Arena) is not yet determinable, with Town Council directing administration on March 10, 2020 to pursue possible public sale. If the Town chooses to demolish the old arena, it will incur deconstruction / demolition costs estimated between \$1,500,000 - \$2,000,000. Due to the uncertainty regarding the old 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, 2019, 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, 2019**

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**13. 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 2019 (Note17)	Actual 2019	Actual 2018
Fortis Alberta	\$ 1,042,237	\$ 1,049,906	\$ 996,826
AltaGas Ltd.	682,051	704,486	662,721
	<b>\$ 1,724,288</b>	<b>\$ 1,754,392</b>	<b>\$ 1,659,547</b>

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**14. 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 9.39% of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 13.84% for the excess. Employees of the Town are required to make current service contributions of 8.39% of pensionable earnings up to the year's maximum pensionable earnings and 12.84% on pensionable earnings above this amount.

Total current and past service contributions made by the Town to the LAPP in 2019 were \$558,918 (2018 - \$588,801). Total current and past service contributions made by the employees of the Town to the LAPP in 2019 were \$502,943 (2018 - \$538,580).

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.5 billion (2017 - \$4.8 billion).

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**TOWN OF MORINVILLE**

**Notes to Financial Statements**

**December 31, 2019**

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**15. 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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**16. 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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**17. BUDGET FIGURES**

	<b>Budget 2019</b>
Annual surplus (per statement of operations and accumulated surplus)	<b>\$ 403,041</b>
Amortization	<b>7,361,428</b>
Purchase of tangible capital assets	<b>(15,382,186)</b>
Net transfers from restricted surplus (per below)	<b>7,617,717</b>
	<b>\$ -</b>
Purchase of tangible capital assets funded from restricted surplus	<b>\$ 2,761,315</b>
Purchase of tangible capital assets funded from debenture proceeds	<b>6,000,000</b>
Tax supported deficit funded from restricted surplus	<b>502,327</b>
Utility supported surplus transferred to restricted surplus	<b>(1,924,029)</b>
Debenture repayment funded from restricted surplus	<b>278,104</b>
	<b>\$ 7,617,717</b>

The budget data presented in these financial statements is based on the operating and capital budgets approved by the Town Council on December 11, 2018. The chart above reconciles the approved financial plan to the figures reported in these financial statements.

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**18. 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 0.5%. The loan has not been drawn upon as of December 31, 2019 (2018 - \$Nil). The loan is secured by the cash and cash equivalents of the Town.

The Town is authorized for overdraft on its Morinville Leisure Centre bank account of \$6,000,000 that is available for construction financing. The interest rate is set at prime minus 0.5%. \$2,425,476 of the loan has been drawn upon as of December 31, 2019 (2018 - \$Nil). The loan is secured by taxes levied or to be levied in any year and all other revenue of the Town.

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**TOWN OF MORINVILLE**

**Notes to Financial Statements**

**December 31, 2019**

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**19. SUBSEQUENT EVENT**

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization and on March 17, 2020 the Province of Alberta declared a public health emergency. Many businesses and individuals in a variety of sectors may experience an economic loss due to COVID-19 which may have a financial impact on the Town. An estimate of the potential financial impact cannot be made at this time.

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**20. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by Council and Management.

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