

TOWN OF MORINVILLE
Financial Statements
For the Year Ended December 31, 2018

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, 2018, 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, 2018, 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 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
April 9, 2019

TOWN OF MORINVILLE
Statement of Financial Position
As At December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 6,989,743	\$ 8,186,130
Accounts receivable (Note 3)	6,266,026	2,957,393
Investments (Note 4)	1,000,271	2,935,436
	<u>14,256,040</u>	<u>14,078,959</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	7,012,768	2,792,330
Deposit liabilities	311,738	456,151
Deferred revenue (Note 6)	285,937	4,770,062
Long-term debt (Note 7)	13,024,236	2,302,341
	<u>20,634,679</u>	<u>10,320,884</u>
NET (DEBT) FINANCIAL ASSETS	<u>(6,378,639)</u>	<u>3,758,075</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	50,014	115,810
Tangible Capital Assets (Schedule 1)	148,071,186	129,451,121
	<u>148,121,200</u>	<u>129,566,931</u>
ACCUMULATED SURPLUS (Note 9)	<u>\$141,742,561</u>	<u>\$133,325,006</u>

CONTINGENCIES (Note 12)

COMMITMENTS (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, 2018

	Budget 2018 (Note18)	Actual 2018	Actual 2017
REVENUE			
Net taxation (Schedule 2)	\$ 9,288,901	\$ 9,248,052	\$ 8,916,207
Water fees	2,850,682	2,838,739	2,578,936
Wastewater fees	1,956,240	1,932,864	1,747,935
Franchise fees (Note 14)	1,694,942	1,659,547	1,570,430
Government transfers for operating (Schedule 3)	866,690	983,078	937,057
Sales to other governments	790,991	973,643	733,946
Solid waste fees	829,612	850,765	826,027
Penalties and fines	622,577	521,787	638,869
Development fees and permits	331,500	384,694	297,642
Rentals	328,920	314,707	327,023
Other	160,352	186,300	657,241
Sales and user charges	97,453	176,582	143,806
Offsite levies	-	160,785	186,430
Investment income	150,000	137,940	150,684
	<u>19,968,860</u>	<u>20,369,483</u>	<u>19,712,233</u>
EXPENSES			
Public works	5,965,714	5,883,233	5,624,367
General administration	5,089,494	4,875,000	4,380,944
Protective services	3,392,942	3,006,399	2,801,636
Parks and recreation	2,872,439	2,917,051	2,685,081
Water	2,716,183	2,647,718	2,429,662
Wastewater	1,926,817	1,916,255	1,831,763
Solid waste	1,254,276	1,224,333	1,215,759
Planning and development	864,433	801,218	861,933
Library	508,753	653,871	655,969
Family and community support services	396,328	376,014	368,307
Council and legislative	368,259	340,252	273,917
	<u>25,355,638</u>	<u>24,641,344</u>	<u>23,129,338</u>
ANNUAL DEFICIT BEFORE OTHER ITEMS	<u>(5,386,778)</u>	<u>(4,271,861)</u>	<u>(3,417,105)</u>
OTHER ITEMS			
Government transfers for capital (Schedule 3)	12,975,764	10,624,713	2,688,942
Contributed tangible capital assets	-	2,052,773	2,047,175
Gain on disposal of tangible capital assets	-	11,930	16,853
	<u>12,975,764</u>	<u>12,689,416</u>	<u>4,752,970</u>
ANNUAL SURPLUS	<u>7,588,986</u>	<u>8,417,555</u>	<u>1,335,865</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>133,325,006</u>	<u>133,325,006</u>	<u>131,989,141</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$140,913,992</u>	<u>\$141,742,561</u>	<u>\$133,325,006</u>

TOWN OF MORINVILLE

Statement of Changes in Net (Debt) Financial Assets

For the Year Ended December 31, 2018

	Budget 2018 (Note18)	Actual 2018	Actual 2017
ANNUAL SURPLUS	\$ 7,588,986	\$ 8,417,555	\$ 1,335,865
Purchase of tangible capital assets	(32,525,474)	(22,574,268)	(5,470,837)
Contributed tangible capital assets	-	(2,052,773)	(2,047,175)
Proceeds on disposal of tangible capital assets	-	89,329	323,341
Amortization of tangible capital assets	6,005,341	5,929,577	5,816,713
Gain on disposal of tangible capital assets	-	(11,930)	(16,853)
	(26,520,133)	(18,620,065)	(1,394,811)
Use of prepaid expenses	-	65,796	11,424
DECREASE IN NET FINANCIAL ASSETS	(18,931,147)	(10,136,714)	(47,522)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	3,758,075	3,758,075	3,805,597
NET (DEBT) FINANCIAL ASSETS, END OF YEAR	\$ (15,173,072)	\$ (6,378,639)	\$ 3,758,075

TOWN OF MORINVILLE**Statement of Cash Flows**

For the Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Annual Surplus	\$ 8,417,555	\$ 1,335,865
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	5,929,577	5,816,713
Contributed tangible capital assets	(2,052,773)	(2,047,175)
Amortization of net investment premiums	21,966	16,751
Loss on disposal of investments	15,572	-
Gain on disposal of tangible capital assets	(11,930)	(16,853)
	<u>12,319,967</u>	<u>5,105,301</u>
Change in non-cash working capital balances:		
Accounts receivable	(3,308,633)	(990,981)
Prepaid expenses	65,796	11,424
Accounts payable and accrued liabilities	4,220,438	1,414,993
Deposit liabilities	(144,413)	(10,235)
Deferred revenue	(4,484,125)	23,626
	<u>(3,650,937)</u>	<u>448,827</u>
	<u>8,669,030</u>	<u>5,554,128</u>
FINANCING ACTIVITIES		
Long-term debt proceeds	11,000,000	-
Long-term debt principal repayments	(278,105)	(767,899)
	<u>10,721,895</u>	<u>(767,899)</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(22,574,268)	(5,470,837)
Proceeds on disposal of tangible capital assets	89,329	323,341
	<u>(22,484,939)</u>	<u>(5,147,496)</u>
INVESTING ACTIVITIES		
Proceeds on disposal of investments	1,897,627	-
Purchase of investments	-	(2,952,187)
	<u>1,897,627</u>	<u>(2,952,187)</u>
CHANGE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	(1,196,387)	(3,313,454)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,186,130	11,499,584
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,989,743	\$ 8,186,130

Schedule of Tangible Capital Assets
For the Year Ended December 31, 2018

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2018	2017
COST:								
Balance, Beginning 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
Acquisition of tangible capital assets	-	303,228	20,967,692	2,826,045	463,201	66,875	24,627,041	7,518,012
Disposal of tangible capital assets	-	-	(47,945)	-	(81,109)	-	(129,054)	(482,261)
Balance, End 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
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	2,623,517	8,295,597	73,749,795	2,680,814	1,650,270	88,999,993	83,359,053
Annual amortization	-	264,525	662,220	4,309,619	470,008	223,205	5,929,577	5,816,713
Accumulated amortization on disposals	-	-	-	-	(51,655)	-	(51,655)	(175,773)
Balance, End of Year	-	2,888,042	8,957,817	78,059,414	3,099,167	1,873,475	94,877,915	88,999,993
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 12,922,120	\$ 2,971,267	\$ 36,671,822	\$ 91,432,519	\$ 2,401,924	\$ 1,671,534	\$ 148,071,186	\$ 129,451,121

Cost includes construction in progress of \$23,408,852 (2017 - \$3,231,663). These amounts are not amortized until the asset is completed and in use.

Schedule of Property Taxes

For the Year Ended December 31, 2018

	Budget 2018 (Note18)	Actual 2018	Actual 2017
TAXATION			
Real property taxes	\$ 12,748,373	\$ 12,708,327	\$ 12,294,773
Designated industrial property taxes	124,964	124,964	115,774
Government grants in place of property taxes	41,321	40,518	42,739
	<u>12,914,658</u>	<u>12,873,809</u>	<u>12,453,286</u>
DEDUCT:			
Education	3,501,956	3,501,956	3,414,208
Seniors Foundation	123,401	123,401	122,871
Designated industrial property	400	400	-
	<u>3,625,757</u>	<u>3,625,757</u>	<u>3,537,079</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 9,288,901</u>	<u>\$ 9,248,052</u>	<u>\$ 8,916,207</u>

Schedule of Government Transfers

For the Year Ended December 31, 2018

	Budget 2018 (Note18)	Actual 2018	Actual 2017
GOVERNMENT TRANSFERS FOR OPERATING			
Provincial	\$ 709,266	\$ 761,537	\$ 762,424
Local Governments	157,424	221,541	170,790
Federal	-	-	3,843
	<u>866,690</u>	<u>983,078</u>	<u>937,057</u>
GOVERNMENT TRANSFERS FOR CAPITAL			
Provincial	12,975,764	10,624,713	2,688,942
	<u>\$ 13,842,454</u>	<u>\$ 11,607,791</u>	<u>\$ 3,625,999</u>

TOWN OF MORINVILLE

Schedule of Segmented Information

For the Year Ended December 31, 2018

	General Administration	Protective Services	Parks and Recreation	Public Works	Water, Wastewater and Solid Waste	Planning and Development	Other	Total
REVENUE								
Net taxation	\$ 2,546,544	\$ 1,905,431	\$ 2,389,680	\$ 1,146,822	\$ -	\$ 417,218	\$ 842,357	\$ 9,248,052
Water, wastewater and solid waste fees	-	-	-	-	5,622,368	-	-	5,622,368
Franchise fees	1,659,547	-	-	-	-	-	-	1,659,547
Government transfers	-	379,144	232,267	-	-	-	371,667	983,078
Sales to other governments	40,878	294,203	-	-	602,429	15,844	20,289	973,643
Penalties and fines	117,577	369,287	-	-	28,059	-	6,864	521,787
Development fees and permits	-	16,538	-	-	-	368,156	-	384,694
Rentals	105,949	1,494	206,364	-	-	-	900	314,707
Other	92,445	16,026	47,113	-	-	-	30,716	186,300
Sales and user charges	13,335	24,276	41,627	-	-	-	97,344	176,582
Offsite levies	160,785	-	-	-	-	-	-	160,785
Investment income	137,940	-	-	-	-	-	-	137,940
	4,875,000	3,006,399	2,917,051	1,146,822	6,252,856	801,218	1,370,137	20,369,483
EXPENSES								
Salaries, wages and benefits	2,635,529	1,180,571	1,196,624	1,372,016	979,175	362,504	1,007,848	8,734,267
Contracted and general services	1,211,693	1,385,228	218,773	281,065	894,777	430,926	111,119	4,533,581
Materials, goods and utilities	395,464	226,112	534,518	1,087,313	359,369	2,764	177,513	2,783,053
Purchases from other governments	-	-	-	-	2,099,235	-	-	2,099,235
Transfers to governments	113,829	-	6,653	-	-	5,024	73,657	199,163
Interest on long-term debt	49,064	-	118,689	4,456	-	-	-	172,209
Other expenses	119,293	-	-	-	3,086	-	-	122,379
Bank charges and short-term interest	67,880	-	-	-	-	-	-	67,880
Amortization of tangible capital assets	282,248	214,488	841,794	3,138,383	1,452,664	-	-	5,929,577
	4,875,000	3,006,399	2,917,051	5,883,233	5,788,306	801,218	1,370,137	24,641,344
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS	\$ -	\$ -	\$ -	\$ (4,736,411)	\$ 464,550	\$ -	\$ -	\$ (4,271,861)

Schedule of Expenses by Object

For the Year Ended December 31, 2018

	Budget 2018 (Note18)	Actual 2018	Actual 2017
Salaries, wages and benefits	\$ 9,060,796	\$ 8,734,267	\$ 8,237,944
Contracted and general services	4,706,054	4,533,581	4,010,171
Materials, goods and utilities	3,246,764	2,783,053	2,687,122
Purchases from other governments	2,010,560	2,099,235	1,952,555
Transfers to governments, agencies and organizations	204,000	199,163	250,740
Interest on long-term debt	69,823	172,209	80,172
Other expenses	30,000	122,379	28,743
Bank charges and short-term interest	22,300	67,880	65,178
Amortization	6,005,341	5,929,577	5,816,713
	\$ 25,355,638	\$ 24,641,344	\$ 23,129,338

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 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 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.

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.

TOWN OF MORINVILLE
Notes to Financial Statements
December 31, 2018

2. CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
Bank accounts	\$ 5,387,000	\$ 3,137,893
Guaranteed Investment Certificate	1,500,000	2,000,000
Servus Credit Union common shares	73,221	70,758
Temporary investments	26,658	2,974,665
Petty cash	2,864	2,814
	<u>\$ 6,989,743</u>	<u>\$ 8,186,130</u>

The Guaranteed Investment Certificate has an effective interest rate of 2.16% and matures on February 28, 2019. Temporary investments are readily convertible to cash and consist of investment cash accounts and money market funds.

3. ACCOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Government transfers	\$ 3,684,319	\$ 1,041,993
Trade	895,272	673,263
Property taxes	781,563	621,312
Utilities	574,922	514,639
Goods and Services Tax	475,952	136,186
	<u>6,412,028</u>	<u>2,987,393</u>
Allowance for doubtful accounts	<u>(146,002)</u>	<u>(30,000)</u>
	<u>\$ 6,266,026</u>	<u>\$ 2,957,393</u>

4. INVESTMENTS

	<u>2018</u>		<u>2017</u>	
	Carrying Value	Market Value	Carrying Value	Market Value
Guaranteed Investment Certificates	\$ 600,271	\$ 581,329	\$ 2,151,352	\$ 2,133,156
Principal protected note	400,000	366,624	400,000	392,844
Corporate bond	-	-	384,084	381,586
	<u>\$ 1,000,271</u>	<u>\$ 947,953</u>	<u>\$ 2,935,436</u>	<u>\$ 2,907,586</u>

Guaranteed Investment Certificates have effective interest rates ranging from 1.94% to 2.76% and maturity dates ranging from September 29, 2021 to July 25, 2024.

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, 2018

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2018</u>	<u>2017</u>
Trade	\$ 4,850,483	\$ 2,461,763
Construction holdbacks	1,782,052	95,273
Government payroll remittances	151,264	123,323
Vacation	117,775	100,491
Accrued interest on long-term debt	111,194	11,480
	<u>\$ 7,012,768</u>	<u>\$ 2,792,330</u>

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>2018</u>	<u>2017</u>
Other	\$ 285,937	\$ 13,021
Provincial government transfers		
Municipal sustainability initiative grant	-	2,650,720
Federal gas tax fund grant	-	880,579
Affordable housing grant	-	773,980
Basic municipal transportation grant	-	451,762
	<u>\$ 285,937</u>	<u>\$ 4,770,062</u>

TOWN OF MORINVILLE
Notes to Financial Statements
December 31, 2018

7. LONG-TERM DEBT

	<u>2018</u>	<u>2017</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.	\$ 11,000,000	\$ -
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.	1,735,368	1,915,300
Debenture debt held by Alberta Capital Finance Authority, repayable in annual installments of \$69,137 including interest at 6%; due August 15, 2022.	239,568	291,232
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	95,809
	<u>\$ 13,024,236</u>	<u>\$ 2,302,341</u>

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 688,456	\$ 411,642	\$ 1,100,098
2020	660,268	387,573	1,047,841
2021	682,125	365,716	1,047,841
2022	704,757	343,084	1,047,841
2023	659,054	319,649	978,703
Thereafter	9,629,576	2,415,130	12,044,706
	<u>\$ 13,024,236</u>	<u>\$ 4,242,794</u>	<u>\$ 17,267,030</u>

Interest on long-term debt expense amounted to \$172,209 (2017 - \$80,172).

The Town's total cash payments for interest amounted to \$72,494 (2017 - \$82,699).

TOWN OF MORINVILLE
Notes to Financial Statements
December 31, 2018

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
Tangible capital assets (Schedule 1)	\$242,949,101	\$218,451,114
Accumulated amortization (Schedule 1)	(94,877,915)	(88,999,993)
Long-term debt (Note 7)	(13,024,236)	(2,302,341)
	<u>\$135,046,950</u>	<u>\$127,148,780</u>

9. ACCUMULATED SURPLUS

	<u>2018</u>	<u>2017</u>
Restricted surplus		
General operating	\$ 217,734	\$ 500,000
Safety initiative	434,132	329,446
Water operating	283,874	260,019
Sanitary & solid waste operating	193,286	175,799
General capital	564,535	949,486
Water capital	1,898,194	1,052,647
Sanitary capital	2,823,191	2,189,721
Storm sewer capital	111,694	110,077
Transportation	773,884	815,971
Fire vehicles	88,240	138,525
Library	98,933	73,034
Public works vehicles	635,956	689,681
Parks, recreation and culture	77,313	76,194
Recreation - developer	316,018	311,443
Offsite levies - transportation	1,652,114	1,516,220
Offsite levies - sanitary	(69,597)	381,409
Offsite levies - water	(3,403,890)	(3,393,446)
	<u>6,695,611</u>	<u>6,176,226</u>
Equity in tangible capital assets (Note 8)	<u>135,046,950</u>	<u>127,148,780</u>
	<u>\$141,742,561</u>	<u>\$133,325,006</u>

TOWN OF MORINVILLE
Notes to Financial Statements
December 31, 2018

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)	2018 Total	2017 Total
Mayor B. Turner	\$ 46,840	\$ 7,759	\$ 54,599	\$ 10,899
Mayor L. Holmes	-	-	-	33,452
Councillors				
R. Balanko	30,000	6,948	36,948	6,452
S. Dafoe	28,920	6,906	35,826	32,614
L. Giffin	28,720	6,898	35,618	6,452
S. Hall	27,470	6,850	34,320	6,400
N. Boutestein	27,320	6,844	34,164	32,065
S. Richardson	26,570	6,815	33,385	6,504
R. Ladouceur	-	-	-	19,611
G. Putnam	-	-	-	19,227
B. Turner	-	-	-	19,767
B. Fitzgerald	-	-	-	18,216
Chief Administrative Officers	185,698	45,977	231,675	182,664
Designated Officers	569,377	134,525	703,902	494,896

(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, 2018

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>2018</u>	<u>2017</u>
Total debt limit	\$ 30,554,225	\$ 29,568,350
Total debt	(13,024,236)	(2,302,341)
Amount of total debt limit unused	\$ 17,529,989	\$ 27,266,009
Debt servicing limit	\$ 5,092,371	\$ 4,928,058
Debt servicing	(1,100,098)	(350,598)
Amount of debt servicing limit unused	\$ 3,992,273	\$ 4,577,460

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.

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 Leisure Centre, 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, 2018, 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
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13. COMMITMENTS

The Town has executed a Guaranteed Maximum Price construction contract to construct the Morinville Leisure Centre in the amount of \$23,321,550, excluding Goods and Services Tax. Costs incurred under the contract totals \$16,038,465 as of December 31, 2018, with an outstanding commitment of \$7,283,085. Project completion is expected to occur in May of 2019.

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 2018 (Note18)	Actual 2018	Actual 2017
Fortis Alberta	\$ 1,008,846	\$ 996,826	\$ 961,230
AltaGas Ltd.	686,096	662,721	609,200
	\$ 1,694,942	\$ 1,659,547	\$ 1,570,430

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 10.39% of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 14.84% for the excess. Employees of the Town are required to make current service contributions of 9.39% of pensionable earnings up to the year's maximum pensionable earnings and 13.84% on pensionable earnings above this amount.

Total current and past service contributions made by the Town to the LAPP in 2018 were \$588,801 (2017 - \$597,970). Total current and past service contributions made by the employees of the Town to the LAPP in 2018 were \$538,580 (2017 - \$550,179).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.8 billion (2017 - \$0.6 billion deficit).

TOWN OF MORINVILLE

Notes to Financial Statements

December 31, 2018

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.

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 2018
Annual surplus (per statement of operations and accumulated surplus)	\$ 7,588,986
Amortization	6,005,341
Purchase of tangible capital assets	(32,525,474)
Net transfers from restricted surplus (per below)	18,931,147
	\$ -
Purchase of tangible capital assets funded from restricted surplus	\$ 3,714,710
Purchase of tangible capital assets funded from debenture proceeds	15,835,000
Tax supported deficit funded from restricted surplus	879,218
Utility supported surplus transferred to restricted surplus	(1,775,885)
Debenture repayment funded from restricted surplus	278,104
Net transfers from restricted surplus	\$ 18,931,147

The budget data presented in these financial statements is based on the operating and capital budgets approved by the Town Council on February 27, 2018. The chart above reconciles the approved financial plan to the figures reported in these financial statements.

19. CREDIT FACILITY

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. 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, if needed, for interim construction financing. The interest rate is set at prime minus 0.5%. The loan has not been drawn upon as of year-end. The loan is secured by taxes levied or to be levied in any year and all other revenue of the Town.

20. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.
