

TOWN OF MORINVILLE
Financial Statements
For the Year Ended December 31, 2020

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, 2020, 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, 2020, 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.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one for resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
April 27, 2021

TOWN OF MORINVILLE
Statement of Financial Position
As At December 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 5,235,597	\$ 5,501,643
Accounts receivable (Note 3)	5,185,423	5,730,647
	<u>\$ 10,421,020</u>	<u>\$ 11,232,290</u>
LIABILITIES		
Bank indebtedness	\$ -	\$ 2,425,476
Accounts payable and accrued liabilities (Note 4)	3,565,603	2,984,532
Deposit liabilities	279,622	215,158
Deferred revenue (Note 5)	360,409	271,640
Long-term debt (Note 6)	20,354,442	18,224,397
	<u>24,560,076</u>	<u>24,121,203</u>
NET DEBT	<u>(14,139,056)</u>	<u>(12,888,913)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	49,366	66,805
Tangible Capital Assets (Schedule 1)	148,655,442	149,640,009
	<u>148,704,808</u>	<u>149,706,814</u>
ACCUMULATED SURPLUS (Note 8)	<u>\$ 134,565,752</u>	<u>\$ 136,817,901</u>

CONTINGENCIES (Note 11)

ON BEHALF OF TOWN COUNCIL:

_____ *Mayor*

_____ *Deputy Mayor*

TOWN OF MORINVILLE

Statement of Operations and Accumulated Surplus

For the Year Ended December 31, 2020

	Budget 2020 (Note16)	Actual 2020	Actual 2019
REVENUE			
Net taxation (Schedule 2)	\$ 10,397,815	\$ 10,325,403	\$ 9,948,305
Water fees	3,262,128	3,091,587	2,856,483
Wastewater and storm fees	2,493,486	2,304,805	2,149,342
Government transfers for operating (Schedule 3)	978,402	1,916,968	1,609,765
Franchise fees (Note 12)	1,764,605	1,825,012	1,754,392
Solid waste fees	842,234	929,214	886,353
Sales to other governments	880,989	848,881	813,394
Offsite levies	-	645,036	64,313
Penalties and fines	482,500	378,085	608,022
Rentals	493,182	294,086	566,323
Other	471,540	226,061	349,964
Sales and user charges	188,525	135,507	177,668
Development fees and permits	257,602	133,709	277,923
Investment income	115,000	45,754	155,687
	<u>22,628,008</u>	<u>23,100,108</u>	<u>22,217,934</u>
EXPENSES			
Public works	6,256,652	6,016,609	6,072,356
General administration	5,419,335	5,905,753	5,424,157
Parks and recreation	5,389,317	4,423,783	4,976,172
Protective services	3,607,759	3,223,839	3,335,784
Water	2,814,821	2,836,829	2,843,739
Wastewater and storm	2,250,407	2,072,729	2,268,221
Solid waste	1,248,204	1,344,197	1,272,532
Library	545,460	620,523	726,059
Planning and development	726,795	506,487	763,889
Family and community support services	402,239	374,958	464,101
Council and legislative	460,776	368,753	357,196
	<u>29,121,765</u>	<u>27,694,460</u>	<u>28,504,206</u>
ANNUAL DEFICIT BEFORE OTHER ITEMS	<u>(6,493,757)</u>	<u>(4,594,352)</u>	<u>(6,286,272)</u>
OTHER ITEMS			
Contributed tangible capital assets	-	674,741	988,339
Government transfers for capital (Schedule 3)	2,632,515	1,628,010	373,273
Gain on disposal of tangible capital assets	-	39,452	-
	<u>2,632,515</u>	<u>2,342,203</u>	<u>1,361,612</u>
ANNUAL SURPLUS (DEFICIT)	<u>(3,861,242)</u>	<u>(2,252,149)</u>	<u>(4,924,660)</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>136,817,901</u>	<u>136,817,901</u>	<u>141,742,561</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$132,956,659</u>	<u>\$134,565,752</u>	<u>\$136,817,901</u>

TOWN OF MORINVILLE

Statement of Changes in Net (Debt) Financial Assets

For the Year Ended December 31, 2020

	Budget 2020 (Note16)	Actual 2020	Actual 2019
ANNUAL SURPLUS (DEFICIT)	\$ (3,861,242)	\$ (2,252,149)	\$ (4,924,660)
Purchase of tangible capital assets	(5,643,358)	(5,331,702)	(7,669,427)
Contributed tangible capital assets	-	(674,741)	(988,339)
Proceeds on disposal of tangible capital assets	-	205,000	-
Amortization of tangible capital assets	6,877,847	6,825,461	7,088,943
Gain on disposal of tangible capital assets	-	(39,452)	-
	1,234,489	984,566	(1,568,823)
Use (acquisition) of prepaid expenses	-	17,440	(16,791)
DECREASE IN NET FINANCIAL ASSETS	(2,626,753)	(1,250,143)	(6,510,274)
NET (DEBT) FINANCIAL ASSETS, BEGINNING OF YEAR	(12,888,913)	(12,888,913)	(6,378,639)
NET DEBT, END OF YEAR	\$ (15,515,666)	\$ (14,139,056)	\$ (12,888,913)

TOWN OF MORINVILLE
Statement of Cash Flows
For the Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Annual Surplus (Deficit)	\$ (2,252,149)	\$ (4,924,660)
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	6,825,461	7,088,943
Contributed tangible capital assets	(674,741)	(988,339)
Gain on disposal of tangible capital assets	(39,452)	-
	<u>3,859,119</u>	<u>1,175,944</u>
Change in non-cash working capital balances:		
Accounts receivable	545,224	535,379
Prepaid expenses	17,440	(16,791)
Accounts payable and accrued liabilities	581,071	(4,028,236)
Deposit liabilities	64,464	(96,580)
Deferred revenue	88,769	(14,297)
	<u>1,296,968</u>	<u>(3,620,525)</u>
	<u>5,156,087</u>	<u>(2,444,581)</u>
FINANCING ACTIVITIES		
Long-term debt proceeds	3,018,000	6,000,000
Long-term debt principal repayments	(887,955)	(799,839)
Advances (repayment) on bank indebtedness	(2,425,476)	2,425,476
	<u>(295,431)</u>	<u>7,625,637</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(5,331,702)	(7,669,427)
Proceeds on disposal of tangible capital assets	205,000	-
	<u>(5,126,702)</u>	<u>(7,669,427)</u>
INVESTING ACTIVITIES		
Proceeds on disposal of investments	-	1,000,271
CHANGE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	(266,046)	(1,488,100)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,501,643	6,989,743
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)	\$ 5,235,597	\$ 5,501,643

Schedule of Tangible Capital Assets
For the Year Ended December 31, 2020

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2020	2019
COST:								
Balance, Beginning 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
Acquisition of tangible capital assets	-	1,728,772	-	4,064,256	161,801	51,614	6,006,443	8,657,766
Transfers	-	(196,719)	(22,619)	219,338	-	-	-	-
Disposal of tangible capital assets	-	-	(2,631,712)	-	(131,954)	-	(2,763,666)	-
Balance, End of Year	12,922,120	11,806,534	42,399,764	178,028,563	6,082,840	3,609,823	254,849,644	251,606,867
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	3,334,025	10,520,567	82,434,574	3,582,294	2,095,398	101,966,858	94,877,915
Annual amortization	-	550,520	1,100,916	4,522,985	423,955	227,085	6,825,461	7,088,943
Accumulated amortization on disposals	-	-	(2,479,201)	-	(118,916)	-	(2,598,117)	-
Balance, End of Year	-	3,884,545	9,142,282	86,957,559	3,887,333	2,322,483	106,194,202	101,966,858
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 12,922,120	\$ 7,921,989	\$ 33,257,482	\$ 91,071,004	\$ 2,195,507	\$ 1,287,340	\$ 148,655,442	\$ 149,640,009

Cost includes construction in progress of \$179,931 (2019 - \$1,699,073). These amounts are not amortized until the asset is completed and in use.

Schedule of Property Taxes

For the Year Ended December 31, 2020

	Budget 2020 (Note16)	Actual 2020	Actual 2019
TAXATION			
Real property taxes	\$ 13,965,069	\$ 13,916,090	\$ 13,489,341
Designated industrial property taxes	100,352	100,347	140,696
Government grants in place of property taxes	61,030	61,030	44,993
	<u>14,126,451</u>	<u>14,077,467</u>	<u>13,675,030</u>
DEDUCT:			
Education	3,599,882	3,624,447	3,599,882
Seniors Foundation	127,786	127,617	125,894
Designated industrial property	968	-	949
	<u>3,728,636</u>	<u>3,752,064</u>	<u>3,726,725</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 10,397,815</u>	<u>\$ 10,325,403</u>	<u>\$ 9,948,305</u>

Schedule of Government Transfers

For the Year Ended December 31, 2020

	Budget 2020 (Note16)	Actual 2020	Actual 2019
GOVERNMENT TRANSFERS FOR OPERATING			
Provincial	\$ 730,927	\$ 1,584,521	\$ 789,207
Local Governments	247,475	332,447	820,558
	978,402	1,916,968	1,609,765
GOVERNMENT TRANSFERS FOR CAPITAL			
Provincial	2,632,515	1,628,010	373,273
	\$ 3,610,917	\$ 3,544,978	\$ 1,983,038

TOWN OF MORINVILLE

Schedule of Segmented Information

For the Year Ended December 31, 2020

	General Administration	Protective Services	Parks and Recreation	Public Works	Water, Wastewater and Solid Waste	Planning and Development	Other	Total
REVENUE								
Net taxation	\$ 2,887,475	\$ 2,213,271	\$ 3,709,481	\$ -	\$ -	\$ 522,058	\$ 993,118	\$ 10,325,403
Water, wastewater, storm and solid waste fees	-	-	-	-	6,325,606	-	-	6,325,606
Franchise fees	1,825,012	-	-	-	-	-	-	1,825,012
Government transfers	1,089,802	379,144	75,537	-	-	-	372,485	1,916,968
Sales to other governments	26,476	262,490	-	-	541,229	10,210	8,476	848,881
Penalties and fines	97,797	261,246	-	-	16,323	-	2,719	378,085
Rentals	48,492	84	245,391	-	-	-	119	294,086
Other	55,047	25,377	126,867	-	-	-	18,770	226,061
Development fees and permits	-	16,038	-	-	-	117,671	-	133,709
Sales and user charges	13,624	58,574	11,420	-	-	-	51,889	135,507
Investment income	45,754	-	-	-	-	-	-	45,754
Offsite levies	645,036	-	-	-	-	-	-	645,036
	6,734,515	3,216,224	4,168,696	-	6,883,158	649,939	1,447,576	23,100,108
EXPENSES								
Salaries, wages and benefits	3,538,425	1,349,143	1,533,087	1,180,701	1,031,803	326,080	1,088,093	10,047,332
Contracted and general services	1,471,221	1,499,221	105,959	372,583	971,081	146,670	112,343	4,679,078
Materials, goods and utilities	583,130	161,842	658,545	1,245,388	491,780	211	101,524	3,242,420
Purchases from other governments	-	-	-	-	2,222,752	-	-	2,222,752
Interest on long-term debt	39,385	-	516,964	-	-	-	-	556,349
Transfers to governments	109,910	-	13,520	-	-	33,526	62,274	219,230
Other expenses (recoveries)	(111,145)	-	-	-	3,681	-	-	(107,464)
Bank charges and short-term interest	9,300	-	-	-	-	-	-	9,300
Amortization of tangible capital assets	265,527	213,633	1,595,708	3,217,937	1,532,658	-	-	6,825,463
	5,905,753	3,223,839	4,423,783	6,016,609	6,253,755	506,487	1,364,234	27,694,460
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS	\$ 828,762	\$ (7,615)	\$ (255,087)	\$ (6,016,609)	\$ 629,403	\$ 143,452	\$ 83,342	\$ (4,594,352)

Schedule of Expenses by Object

For the Year Ended December 31, 2020

	Budget 2020 (Note16)	Actual 2020	Actual 2019
Salaries, wages and benefits	\$ 10,440,553	\$ 10,047,332	\$ 10,057,527
Amortization	6,877,847	6,825,463	7,088,943
Contracted and general services	4,783,901	4,679,078	4,847,563
Materials, goods and utilities	3,291,136	3,242,420	3,467,518
Purchases from other governments	2,305,123	2,222,752	2,127,561
Interest on long-term debt	622,947	556,349	538,752
Transfers to governments, agencies and organizations	766,460	219,230	278,860
Bank charges and short-term interest	13,798	9,300	13,801
Other expenses (recoveries)	20,000	(107,464)	83,681
	\$ 29,121,765	\$ 27,694,460	\$ 28,504,206

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) Tax Revenue

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

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the Town and are recognized as revenue in the year the tax is levied.

(e) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Where management uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(f) Government Transfers

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

(continues)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Over-levies and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. In situations where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(h) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the change in net (debt) financial assets for the year.

i) Tangible Capital Assets

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

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

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

ii) Contributed Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(i) Contaminated Sites

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

(j) New Accounting Standards not yet Adopted

Effective for fiscal years beginning on or after April 1, 2022, 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, 2023, PS 3400 Revenue provides guidance on how to account for and report revenue, and specifically, it addresses revenue arising from exchange transactions and non exchange transactions.

TOWN OF MORINVILLE
Notes to Financial Statements
December 31, 2020

2. CASH AND CASH EQUIVALENTS

	<u>2020</u>	<u>2019</u>
Bank accounts	\$ 5,153,420	\$ 5,421,767
Servus Credit Union common shares	78,187	75,886
Petty cash	3,990	3,990
Guaranteed Investment Certificate	-	-
Temporary investments	-	-
	<u>\$ 5,235,597</u>	<u>\$ 5,501,643</u>

3. ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Government transfers	\$ 3,306,247	\$ 4,057,592
Utilities	703,393	632,709
Property taxes	558,830	702,628
Trade	515,088	456,008
Goods and Services Tax	218,075	115,768
	<u>5,301,633</u>	<u>5,964,705</u>
Allowance for doubtful accounts	(116,210)	(234,058)
	<u>\$ 5,185,423</u>	<u>\$ 5,730,647</u>

TOWN OF MORINVILLE
Notes to Financial Statements
December 31, 2020

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2020</u>	<u>2019</u>
Trade	\$ 3,096,455	\$ 2,598,748
Vacation	212,824	164,760
Accrued interest on long-term debt	148,299	150,404
Construction holdbacks	74,416	-
Government payroll remittances	33,609	70,620
	<u>\$ 3,565,603</u>	<u>\$ 2,984,532</u>

5. 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>Opening</u>	<u>Receipts/ (Refund)</u>	<u>Revenue</u>	<u>Ending</u>
Municipal Operating Support Transfer	-	1,006,755	(833,140)	173,615
Family and Community Support				
Services	9,868	275,835	(261,247)	24,456
Other	261,772	(18,111)	(81,323)	162,338
	<u>\$ 271,640</u>	<u>\$ 1,264,479</u>	<u>\$ (1,175,710)</u>	<u>\$ 360,409</u>

TOWN OF MORINVILLE
Notes to Financial Statements
December 31, 2020

6. LONG-TERM DEBT

	<u>2020</u>	<u>2019</u>
Debenture debt held by the Government of Alberta, repayable in semi-annual installments of \$374,750 including interest at 3.209%; due September 17, 2038.	\$ 10,187,690	\$ 10,600,310
Debenture debt held by the Government of Alberta, repayable in semi-annual installments of \$199,284 including interest at 2.930%; due March 15, 2039.	5,660,930	5,888,616
Debenture debt held by the Government of Alberta, repayable in semi-annual installments of \$92,650 including interest at 2.084%; due December 15, 2040.	3,018,000	-
Debenture debt held by the Government of Alberta, repayable in semi-annual installments of \$114,602 including interest at 2.634%; due June 15, 2027.	1,361,066	1,550,666
Debenture debt held by the Government of Alberta, repayable in annual installments of \$69,137 including interest at 6%; due August 15, 2022.	126,756	184,805
	<u>\$ 20,354,442</u>	<u>\$ 18,224,397</u>

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,039,574	\$ 592,134	\$ 1,631,708
2022	1,071,701	560,006	1,631,707
2023	1,035,753	526,817	1,562,570
2024	1,065,894	496,675	1,562,569
2025	1,096,928	465,642	1,562,570
Thereafter	15,044,592	3,202,855	18,247,447
	<u>\$ 20,354,442</u>	<u>\$ 5,844,129</u>	<u>\$ 26,198,571</u>

Interest on long-term debt expense amounted to \$556,349 (2019 - \$538,752).

The Town's total cash payments for interest amounted to \$558,454 (2019 - \$499,542).

TOWN OF MORINVILLE
Notes to Financial Statements
December 31, 2020

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2020</u>	<u>2019</u>
Tangible capital assets (Schedule 1)	\$ 254,849,644	\$ 251,606,867
Accumulated amortization (Schedule 1)	(106,194,202)	(101,966,858)
Long-term debt (Note 6)	(20,354,442)	(18,224,397)
Unused portion of long-term debt	-	263,907
	<u>\$ 128,301,000</u>	<u>\$ 131,679,519</u>

8. ACCUMULATED SURPLUS

	<u>2020</u>	<u>2019</u>
Restricted surplus		
General operating	\$ (467,054)	\$ (1,837,037)
Safety initiative	207,536	271,331
Water operating	309,119	569,522
Sanitary & solid waste operating	196,818	192,746
General capital	(223,275)	348,138
Water capital	4,198,367	2,699,236
Sanitary capital	3,679,539	3,245,447
Storm sewer capital	364,018	269,206
Transportation	340,862	725,753
Fire vehicles	23,948	89,299
Library	261,232	171,972
Public works vehicles	550,993	550,278
Parks, recreation and culture	221,887	328,241
Recreation - developer	320,226	319,810
Offsite levies - transportation	199,532	1,533,020
Offsite levies - sanitary	(469,781)	(893,843)
Offsite levies - water	(3,449,215)	(3,444,737)
	<u>6,264,752</u>	<u>5,138,382</u>
Equity in tangible capital assets (Note 7)	<u>128,301,000</u>	<u>131,679,519</u>
	<u>\$ 134,565,752</u>	<u>\$ 136,817,901</u>

TOWN OF MORINVILLE
Notes to Financial Statements
December 31, 2020

9. 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)	2020 Total	2019 Total
Mayor B. Turner	\$ 70,307	\$ 8,395	\$ 78,702	\$ 64,020
Councillors				
S. Hall	41,104	7,197	48,301	41,636
S. Dafoe	40,054	7,142	47,196	40,314
L. Giffin	40,354	7,157	47,511	38,713
N. Boutestein	40,204	7,149	47,353	38,303
R. Balanko	38,854	7,079	45,933	38,144
S. Richardson	37,204	6,992	44,196	34,549
Chief Administrative Officer	228,805	33,397	262,202	244,055
Designated Officers	454,268	86,142	540,410	732,510

(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, 2020

10. 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>2020</u>	<u>2019</u>
Total debt limit	\$ 34,650,162	\$ 33,326,901
Total debt	(20,354,442)	(18,224,397)
Amount of total debt limit unused	\$ 14,295,720	\$ 15,102,504
Debt servicing limit	\$ 5,775,027	\$ 5,554,484
Debt servicing	(1,631,708)	(1,100,098)
Amount of debt servicing limit unused	\$ 4,143,319	\$ 4,454,386

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.

11. CONTINGENCIES

- (a) The Town is a member of the Alberta Municipal Insurance Exchange. Under the terms of membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined..
 - (b) The Town is involved in various legal disputes at December 31, 2020, 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, 2020

12. 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 2020 (Note16)	Actual 2020	Actual 2019
Fortis Alberta	\$ 1,058,878	\$ 1,059,365	\$ 1,049,906
AltaGas Ltd.	705,727	765,647	704,486
	\$ 1,764,605	\$ 1,825,012	\$ 1,754,392

13. 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 2020 were \$598,337 (2019 - \$558,918). Total current and past service contributions made by the employees of the Town to the LAPP in 2020 were \$665,918 (2019 - \$502,943).

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.9 billion (2018 - \$3.5 billion).

TOWN OF MORINVILLE

Notes to Financial Statements

December 31, 2020

14. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and cash equivalents, accounts receivable, 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.

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

The Town is exposed to interest rate price risk as the long term debt bears interest at fixed interest rates. Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates.

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

15. 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).

16. BUDGET FIGURES

	Budget 2020
Annual surplus (per statement of operations and accumulated surplus)	\$ (3,861,242)
Amortization	6,877,847
Purchase of tangible capital assets	(5,643,358)
Net transfers from restricted surplus (per below)	2,626,753
	\$ -
Purchase of tangible capital assets funded from restricted surplus	\$ 3,010,842
Tax supported deficit funded from restricted surplus	1,954,605
Utility supported surplus transferred to restricted surplus	(2,338,694)
Net transfers from restricted surplus	\$ 2,626,753

The budget data presented in these financial statements is based on the operating and capital budgets approved by the Town Council on December 10, 2019. The chart above reconciles the approved financial plan to the figures reported in these financial statements.

TOWN OF MORINVILLE

Notes to Financial Statements

December 31, 2020

17. 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 (currently 3.45%) minus 0.50%. The loan has not been drawn upon as of December 31, 2020 (2019 - \$Nil). The loan is secured by a general security agreement over the assets of the Town.

18. UNCERTAINTY DUE TO COVID-19

On March 17, 2020, the Government of Alberta declared a public health emergency in response to the COVID-19 pandemic. The measures implemented to combat the spread of the virus have had an impact on the Town; however, an estimate of the financial impact cannot be made at this time.

The Town is closely monitoring the recommendations from public health agencies and government authorities while implementing its operational plan to reduce any adverse financial impact and continue operations.

19. COMPARATIVE FIGURES

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

20. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.
