

TOWN OF MORINVILLE

MORINVILLE, ALBERTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

Hawkings Epp Dumont LLP

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AUDITORS' REPORT

To the Mayor and Council of the Town of Morinville
Morinville, Alberta

We have audited the consolidated statement of financial position of the Town of Morinville (the "Town") as at December 31, 2009 and the consolidated statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Town's administration. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta
April 15, 2010



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Town of • Ville de
MORINVILLE

**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

To the Mayor and Council of the Town of Morinville
Morinville, Alberta

The management of Town of Morinville prepared these financial statements and the supporting documents that were used to prepare these financial statements and is responsible for their reliability, completeness and integrity. They conform, in all material respects, with accounting principles for local governments established by the Canadian Institute of Chartered Accountants.

Management maintains the necessary accounting and internal control systems designed to ensure: the timely production of reliable and accurate financial information, the protection of assets (to a reasonable extent) against loss or unauthorized use, and the promotion of operational efficiency. The Mayor and Council oversee management's responsibilities for the financial reporting and internal control systems.

The external auditors, appointed by the Mayor and Council, conducted an audit of these financial statements in accordance with Canadian generally accepted auditing standards. Town Management reviewed these financial statements with the auditors in detail before recommending their approval to the Mayor and Council.

Morinville, Alberta
April 15, 2010

Edie Doepker, Chief Administrative Officer

Andrew Isbister, CMA, Director of Corporate Services

TOWN OF MORINVILLE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u> (Restated) (Note 16)
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 10,507,751	\$ 8,945,984
Accounts receivable (Note 3)	<u>1,329,857</u>	<u>3,275,707</u>
	<u>11,837,608</u>	<u>12,221,691</u>
 LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	2,839,281	1,405,071
Deposit liabilities	425,045	517,937
Deferred revenue (Note 5)	6,242,241	4,712,089
Long-term debt (Note 6)	<u>996,671</u>	<u>1,054,779</u>
	<u>10,503,238</u>	<u>7,689,876</u>
 NET FINANCIAL ASSETS	 <u>1,334,370</u>	 <u>4,531,815</u>
 NON-FINANCIAL ASSETS		
Other assets	1,117,326	10,354
Tangible Capital Assets (Schedule 1)	<u>102,460,714</u>	<u>101,050,711</u>
	<u>103,578,040</u>	<u>101,061,065</u>
 ACCUMULATED SURPLUS (Note 8)	 <u>\$104,912,410</u>	 <u>\$105,592,880</u>
 CONTINGENCIES (Note 11)		

ON BEHALF OF TOWN COUNCIL:

_____ Mayor

_____ Deputy Mayor

TOWN OF MORINVILLE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budget <u>2009</u> (Note 15)	Actual <u>2009</u>	Actual <u>2008</u> (Restated) (Note 16)
Revenue			
Net taxes for general municipal purposes (Schedule 2)	\$ 5,892,655	\$ 5,885,465	\$ 5,067,365
Water fees	1,771,128	1,740,686	1,609,446
Wastewater fees	1,181,052	1,188,971	1,155,918
Franchise fees	576,744	780,955	606,038
Government transfers (Schedule 3)	656,376	776,353	1,182,771
Sales to other governments	541,980	686,454	643,465
Garbage and recycle fees	400,344	486,438	449,754
Penalties and fines	369,744	467,908	164,919
Development fees and permits	245,040	298,346	324,226
Rentals	259,472	241,398	202,249
Sales and user charges	160,812	137,981	148,736
Other	38,416	113,939	93,268
Investment income	89,532	91,494	196,988
Offsite levies	-	85,496	320,803
Local improvements	51,204	51,765	53,712
Sale of land	-	-	163,660
	<u>12,234,499</u>	<u>13,033,649</u>	<u>12,383,318</u>
Expenses			
General administration	1,783,896	2,303,396	1,870,902
Protective services	1,730,076	1,961,448	1,647,036
Water	1,512,780	1,479,355	1,549,957
Public works	1,457,484	1,438,999	1,392,634
Parks and recreation	1,108,480	1,181,267	1,107,921
Wastewater	1,037,052	953,676	860,006
Planning and economic development	667,656	541,640	691,029
Garbage and recycling	349,584	524,174	314,325
Library	218,640	242,611	177,661
Family and community support services	259,092	213,292	200,515
Council and legislative	224,064	211,689	204,010
Amortization	-	3,899,169	3,592,565
	<u>10,348,804</u>	<u>14,950,716</u>	<u>13,608,561</u>
Excess (Deficiency) of Revenue over Expenses Before Other Items	1,885,695	(1,917,067)	(1,225,243)
Other Items			
Government transfers for capital (Schedule 3)	-	1,243,783	4,528,197
Loss on disposal of tangible capital assets	-	(7,186)	(26,188)
	<u>1,885,695</u>	<u>(680,470)</u>	<u>3,276,766</u>
Excess (Deficiency) of Revenue over Expenses	<u>\$ 1,885,695</u>	<u>(680,470)</u>	<u>3,276,766</u>
Accumulated Surplus, Beginning of Year, as Previously Stated		53,952,332	47,083,001
Change In Accounting Policy (Note 16)		<u>51,640,548</u>	<u>55,233,113</u>
Accumulated Surplus, Beginning of Year, as Restated		<u>105,592,880</u>	<u>102,316,114</u>
Accumulated Surplus, End of Year		<u>\$104,912,410</u>	<u>\$105,592,880</u>

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

TOWN OF MORINVILLE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u> (Restated) (Note 16)
Excess (Deficiency) of Revenue over Expenses	\$ <u>(680,470)</u>	\$ <u>3,276,766</u>
Acquisition of tangible capital assets	(5,332,105)	(5,389,110)
Proceeds on disposal of tangible capital assets	15,748	-
Amortization of tangible capital assets	3,899,169	3,592,565
Loss on sale of tangible capital assets	<u>7,186</u>	<u>26,188</u>
	<u>(1,410,002)</u>	<u>(1,770,357)</u>
Acquisition of other assets	<u>(1,106,973)</u>	<u>(3,594)</u>
Increase (Decrease) In Net Financial Assets	(3,197,445)	1,502,815
Net Financial Assets, Beginning of Year	<u>4,531,815</u>	<u>3,029,000</u>
Net Financial Assets, End of Year	\$ <u>1,334,370</u>	\$ <u>4,531,815</u>

TOWN OF MORINVILLE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u> (Restated) (Note 16)
Operating Activities		
Cash from operations		
Excess (Deficiency) of revenue over expenses	\$ (680,470)	\$ 3,276,766
Amortization	3,899,169	3,592,565
Loss on disposal of tangible capital assets	<u>7,186</u>	<u>26,188</u>
	<u>3,225,885</u>	<u>6,895,519</u>
 Change in non-cash working capital balances related to operations:		
Accounts receivable	1,945,850	(263,964)
Other assets	(1,106,973)	(3,594)
Accounts payable and accrued liabilities	1,434,210	216,851
Deferred revenue	1,530,152	383,681
Deposit liabilities	<u>(92,892)</u>	<u>(38,620)</u>
	<u>3,710,347</u>	<u>294,354</u>
	<u>6,936,232</u>	<u>7,189,873</u>
 Financing Activities		
Repayment of long-term debt	<u>(58,108)</u>	<u>(54,819)</u>
 Capital Activities		
Acquisition of tangible capital assets	(5,332,105)	(5,389,110)
Proceeds on sale of tangible capital assets	<u>15,748</u>	<u>-</u>
	<u>(5,316,357)</u>	<u>(5,389,110)</u>
 Change in Cash and Temporary Investments for the Year	1,561,767	1,745,944
 Cash and Temporary Investments, Beginning of Year	<u>8,945,984</u>	<u>7,200,040</u>
 Cash and Temporary Investments, End of Year	<u>\$ 10,507,751</u>	<u>\$ 8,945,984</u>

TOWN OF MORINVILLE

SCHEDULE 1

SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2009

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2009	2008
COST:								
Balance, Beginning of Year	\$ 8,251,516	\$ 2,571,854	\$ 6,155,139	\$ 126,318,834	\$ 2,716,595	\$ 387,170	\$ 146,401,108	\$ 141,038,186
Acquisition of tangible capital assets	-	38,184	1,018,261	3,579,700	662,176	33,784	5,332,105	5,389,110
Disposal of tangible capital assets	-	-	(26,806)	-	(39,766)	(16,709)	(83,281)	(26,188)
Balance, End of Year	<u>8,251,516</u>	<u>2,610,038</u>	<u>7,146,594</u>	<u>129,898,534</u>	<u>3,339,005</u>	<u>404,245</u>	<u>151,649,932</u>	<u>146,401,108</u>
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	875,955	3,307,924	39,742,594	1,266,775	157,148	45,350,396	41,757,832
Annual amortization	-	127,818	226,753	3,216,244	304,627	23,727	3,899,169	3,592,565
Accumulated amortization on disposals	-	-	(9,650)	-	(33,988)	(16,709)	(60,347)	-
Balance, End of Year	-	<u>1,003,773</u>	<u>3,525,027</u>	<u>42,958,838</u>	<u>1,537,414</u>	<u>164,166</u>	<u>49,189,218</u>	<u>45,350,397</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 8,251,516</u>	<u>\$ 1,606,265</u>	<u>\$ 3,621,567</u>	<u>\$ 86,939,696</u>	<u>\$ 1,801,591</u>	<u>\$ 240,079</u>	<u>\$ 102,460,714</u>	<u>\$ 101,050,711</u>

Cost includes construction in progress of \$582,133 (2008 - \$375,503). These amounts are not amortized until the asset is completed and in use.

TOWN OF MORINVILLE
SCHEDULE OF PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2009

SCHEDULE 2

	<u>2009</u> (Budget) (Note 15)	<u>2009</u> (Actual)	<u>2008</u> (Actual) (Restated) (Note 16)
Taxation			
Real property taxes	\$ 7,637,721	\$ 7,658,689	\$ 6,660,416
Linear property taxes	115,047	115,047	133,833
Government grants in place of property taxes	<u>54,624</u>	<u>54,624</u>	<u>55,290</u>
	<u>7,807,392</u>	<u>7,828,360</u>	<u>6,849,539</u>
Deduct:			
Education	1,871,882	1,899,549	1,746,003
Seniors Foundation	<u>42,855</u>	<u>43,346</u>	<u>36,171</u>
	<u>1,914,737</u>	<u>1,942,895</u>	<u>1,782,174</u>
Net Taxes for General Municipal Purposes	<u>\$ 5,892,655</u>	<u>\$ 5,885,465</u>	<u>\$ 5,067,365</u>

TOWN OF MORINVILLE

SCHEDULE 3

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>2009</u> (Budget) (Note 15)	<u>2009</u> (Actual)	<u>2008</u> (Actual) (Restated) (Note 16)
Federal Transfers			
Operating	\$ <u>504</u>	\$ <u>-</u>	\$ <u>987</u>
Provincial Transfers			
Operating	631,560	744,173	1,037,782
Capital	<u>-</u>	<u>1,243,783</u>	<u>4,528,197</u>
	<u>631,560</u>	<u>1,987,956</u>	<u>5,565,979</u>
Local Government Transfers			
Operating	<u>24,312</u>	<u>32,180</u>	<u>144,002</u>
	<u>\$ 656,376</u>	<u>\$ 2,020,136</u>	<u>\$ 5,710,968</u>
Operating Government Transfers			
Federal	\$ 504	\$ -	\$ 987
Provincial	631,560	744,173	1,037,782
Local	<u>24,312</u>	<u>32,180</u>	<u>144,002</u>
	<u>656,376</u>	<u>776,353</u>	<u>1,182,771</u>
Capital Government Transfers			
Provincial	<u>-</u>	<u>1,243,783</u>	<u>4,528,197</u>
	<u>\$ 656,376</u>	<u>\$ 2,020,136</u>	<u>\$ 5,710,968</u>

TOWN OF MORINVILLE
SCHEDULE OF EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2009

SCHEDULE 4

	<u>2009</u> (Budget) (Note 15)	<u>2009</u> (Actual)	<u>2008</u> (Actual) (Restated) (Note 16)
Salaries, wages and benefits	\$ 4,605,239	\$ 4,566,750	\$ 4,095,800
Contracted and general services	2,460,497	3,045,571	2,352,239
Materials, goods and utilities	1,734,840	1,874,543	1,838,966
Purchases from other governments	1,402,236	1,424,565	1,418,403
Interest on long-term debt	63,288	60,452	66,576
Transfers to governments, agencies and organizations	75,384	47,054	137,959
Other expenses	5,616	28,622	102,125
Bank charges and short-term interest	1,704	3,990	3,928
Amortization	<u>-</u>	<u>3,899,169</u>	<u>3,592,565</u>
	<u>\$ 10,348,804</u>	<u>\$ 14,950,716</u>	<u>\$ 13,608,561</u>

TOWN OF MORINVILLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town are the representations of management prepared in accordance with Canadian generally accepted accounting principles. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, and expenditures, and changes in equity balances and cash flows of the Town.

The schedule of taxes levied includes requisitions for education and housing that are not part of the municipal reporting entity.

(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) Use of Estimates

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

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on a net present value basis 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.

(e) Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowing. These levies are collectible from property owners for work performed by the Town.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as a liability. The liability is amortized to revenue on a straight-line basis over the remaining term of the related borrowing.

In the event that the prepaid amounts are applied against the related borrowing, the liability is amortized to revenue by an amount equal to the debt repayment.

(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.

TOWN OF MORINVILLE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 taxes.

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 excess of revenues over expenses, provides the consolidated change in net financial assets for the year.

i) Tangible Capital Assets

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

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

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii) Contributions of 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.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2009</u>	<u>2008</u>
Cash	\$ 6,114,953	\$ 1,028,677
Temporary investments	<u>4,392,798</u>	<u>7,917,307</u>
	<u>\$10,507,751</u>	<u>\$ 8,945,984</u>

Temporary investments include term deposits earning interest at 1.05%, maturing in 2010.

TOWN OF MORINVILLE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2009

3. ACCOUNTS RECEIVABLE

	<u>2009</u>	<u>2008</u>
Utilities	\$ 590,792	\$ 522,983
Property taxes	361,719	237,406
Goods and Services Tax	214,132	140,669
Trade	175,852	323,752
Government	<u>1,824</u>	<u>2,077,075</u>
	1,344,319	3,301,885
Allowance for doubtful accounts	<u>(14,462)</u>	<u>(26,178)</u>
	<u>\$ 1,329,857</u>	<u>\$ 3,275,707</u>

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2009</u>	<u>2008</u>
Trade	\$ 2,565,391	\$ 964,050
Construction holdbacks	152,470	332,365
Vacation	96,851	81,252
Accrued interest on long-term debt	<u>24,569</u>	<u>27,404</u>
	<u>\$ 2,839,281</u>	<u>\$ 1,405,071</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>2009</u>	<u>2008</u>
Grants	\$ 6,223,353	\$ 4,680,536
Other	<u>18,888</u>	<u>31,553</u>
	<u>\$ 6,242,241</u>	<u>\$ 4,712,089</u>

TOWN OF MORINVILLE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2009

6. LONG-TERM DEBT

	<u>2009</u>	<u>2008</u>
Debenture debt held by Alberta Capital Finance Authority, repayable in annual installments of \$69,137 including interest at 6%; due August 15, 2022.	\$ 612,051	\$ 642,631
Debenture debt held by Alberta Capital Finance Authority, repayable in annual installments of \$52,258 including interest at 6%; due July 15, 2019.	<u>384,620</u>	<u>412,148</u>
	<u>\$ 996,671</u>	<u>\$ 1,054,779</u>

Repayments of principal and interest over the next five years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 61,595	\$ 59,800	\$ 121,395
2011	65,290	56,105	121,395
2012	69,208	52,187	121,395
2013	73,360	48,035	121,395
2014	77,762	43,633	121,395
Thereafter	<u>649,456</u>	<u>164,930</u>	<u>814,386</u>
	<u>\$ 996,671</u>	<u>\$ 424,690</u>	<u>\$ 1,421,361</u>

TOWN OF MORINVILLE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2009

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2009</u>	<u>2008</u> (Restated) (Note 16)
Tangible capital assets (Schedule 1)	\$ 151,649,932	\$ 146,401,108
Accumulated amortization (Schedule 1)	(49,189,218)	(45,350,397)
Long-term debt (Note 6)	<u>(996,671)</u>	<u>(1,054,779)</u>
	<u>\$ 101,464,043</u>	<u>\$ 99,995,932</u>

8. ACCUMULATED SURPLUS

	<u>2009</u>	<u>2008</u> (Restated) (Note 16)
Unrestricted surplus (deficit)	\$ <u>(1,149,389)</u>	\$ <u>201,277</u>
Restricted surplus		
Offsite levies - roads	706,898	659,422
Offsite levies - water storage	528,192	525,423
General stabilization	500,000	1,000,000
Sanitary capital projects	442,927	440,605
Water capital projects	372,076	370,125
Offsite levies - sewer	370,812	327,591
Transportation projects	301,978	300,395
Fire vehicles	263,381	262,000
Public works vehicles	228,066	226,870
General capital projects	203,204	509,136
Recreation - developer	187,844	186,859
Parks, recreation and culture	136,357	135,642
Water stabilization	100,000	225,183
Sanitary and solid waste stabilization	85,000	56,295
Library	82,726	82,292
Office equipment	48,484	48,230
Storm sewer capital projects	<u>39,811</u>	<u>39,603</u>
	<u>4,597,756</u>	<u>5,395,671</u>
Equity in tangible capital assets (Note 7)	<u>101,464,043</u>	<u>99,995,932</u>
	<u>\$ 104,912,410</u>	<u>\$ 105,592,880</u>

TOWN OF MORINVILLE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

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:

	<u>Salary (1)</u>	<u>Benefits (2)</u>	<u>2009 Total</u>	<u>2008 Total</u>
Mayor	\$ 35,176	\$ 6,116	\$ 41,292	\$ 42,045
Councillors				
J. Trapani	26,309	5,439	31,748	26,824
J. Gosselin	17,613	5,026	22,639	26,144
G. Boddez	17,700	5,106	22,806	22,887
D. Phinney	14,788	5,005	19,793	20,459
P. Krauskopf	18,847	5,126	23,973	19,104
B. Van De Walle	21,653	2,480	24,133	19,988
Chief Administrative Officer	218,303	16,501	234,804	135,684
Designated Officers (4)	378,512	73,420	451,932	421,471

(1) Salary includes regular base pay and per diem payments.

(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 (CONT'D)
DECEMBER 31, 2009

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>2009</u>	<u>2008</u> (Restated) (Note 16)
Total debt limit	\$19,550,474	\$18,574,977
Total debt	<u>(996,671)</u>	<u>(1,054,779)</u>
Amount of total debt limit unused	<u>\$18,553,803</u>	<u>\$17,520,198</u>
Debt servicing limit	\$ 3,258,412	\$ 3,095,830
Debt servicing	<u>(121,395)</u>	<u>(121,395)</u>
Amount of debt servicing limit unused	<u>\$ 3,137,017</u>	<u>\$ 2,974,435</u>

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.

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

11. CONTINGENCIES

- (a) The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). 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 of Morinville has entered into arrangements with surrounding municipalities for the construction of a booster station. The City of St. Albert has funded construction. Under the agreement, the Town of Morinville will be responsible for its proportionate share of construction costs (approximately \$660,000) when the Town reaches a population of 10,000 people. The Town intends to accumulate a reserve fund for the future payment.
- (c) The Town of Morinville is involved in various legal disputes at December 31, 2009, 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.

TOWN OF MORINVILLE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

12. LOCAL AUTHORITIES PENSION PLAN

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

The Town is required to make current service contributions to the Plan of 8.46% of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 11.66% for the excess. Employees of the Town are required to make current service contributions of 7.46% of pensionable earnings up to the year's maximum pensionable earnings and 10.66% on pensionable earnings above this amount.

Total current and past service contributions made by the Town to the LAPP in 2009 were \$234,678 (2008 - \$204,156). Total current and past service contributions made by the employees of the Town to the LAPP in 2009 were \$208,618 (2008 - \$179,370).

At December 31, 2008, the LAPP disclosed an actuarial deficit of \$ 4.4 billion (2007 - \$1.2 billion).

13. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary 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, currency or credit risk arising from these financial instruments

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

14. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.

15. BUDGET

The budget figures are provided for information purposes only, and have not been audited.

16. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2009 the Town adopted *Public Sector Accounting Standard 3150 - Tangible Capital Assets* and commenced amortizing its tangible capital assets.

Certain comparative figures have been restated to conform to the current year presentation.

The effect on the financial statements has been to increase 2008 excess of revenue over expenses by \$1,770,357 for the net effect of amortization expense and tangible capital assets previously expensed. The 2008 opening tangible capital assets, equity in tangible capital assets and accumulated surplus increased by \$55,233,113.