

TOWN OF MORINVILLE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Town of Morinville

We have audited the accompanying financial statements of the Town of Morinville, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Town of Morinville as at December 31, 2016, and the results of its operations and accumulated surplus, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta
April 11, 2017


Hawkings Epp Dumont LLP
Chartered Accountants

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TOWN OF MORINVILLE
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 11,499,584	\$ 10,070,695
Accounts receivable (Note 3)	<u>1,966,412</u>	<u>2,698,610</u>
	<u>13,465,996</u>	<u>12,769,305</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	1,377,337	2,394,629
Deposit liabilities	466,386	334,617
Deferred revenue (Note 5)	4,746,436	3,092,658
Long-term debt (Note 6)	<u>3,070,240</u>	<u>4,143,728</u>
	<u>9,660,399</u>	<u>9,965,632</u>
NET FINANCIAL ASSETS	<u>3,805,597</u>	<u>2,803,673</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	127,234	115,385
Tangible Capital Assets (Schedule 1)	<u>128,056,310</u>	<u>129,153,872</u>
	<u>128,183,544</u>	<u>129,269,257</u>
ACCUMULATED SURPLUS (Note 8)	<u>\$131,989,141</u>	<u>\$132,072,930</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, 2016

	Budget <u>2016</u> (Note16)	Actual <u>2016</u>	Actual <u>2015</u>
REVENUE			
Net taxation (Schedule 2)	\$ 8,683,500	\$ 8,683,283	\$ 8,117,566
Water fees	2,614,440	2,589,562	2,545,471
Wastewater fees	1,703,124	1,752,959	1,712,632
Franchise fees (Note 12)	1,451,662	1,474,758	1,396,973
Government transfers for operating (Schedule 3)	621,023	922,660	790,860
Sales to other governments	833,486	789,918	874,084
Solid waste fees	620,460	740,767	727,404
Penalties and fines	622,000	713,162	636,846
Rentals	391,900	366,769	408,869
Other	137,402	318,838	304,243
Development fees and permits	416,100	288,830	382,350
Offsite levies	-	227,289	441,417
Investment income	145,000	164,124	169,867
Sales and user charges	<u>188,844</u>	<u>162,071</u>	<u>208,792</u>
	<u>18,428,941</u>	<u>19,194,990</u>	<u>18,717,374</u>
EXPENSES			
Public works	5,694,263	5,425,253	4,985,021
General administration	3,944,013	3,693,752	3,573,497
Parks and recreation	3,119,489	3,115,354	3,209,593
Protective services	3,078,354	2,746,154	2,474,681
Water	2,437,396	2,622,941	2,338,688
Wastewater	1,799,640	1,701,315	1,647,049
Solid waste	1,091,067	1,169,394	1,132,547
Planning and development	982,631	870,354	927,539
Library	383,897	542,576	483,922
Family and community support services	244,414	361,675	238,492
Council and legislative	<u>346,283</u>	<u>269,820</u>	<u>272,769</u>
	<u>23,121,447</u>	<u>22,518,588</u>	<u>21,283,798</u>
ANNUAL DEFICIT BEFORE OTHER ITEMS	<u>(4,692,506)</u>	<u>(3,323,598)</u>	<u>(2,566,424)</u>
OTHER ITEMS			
Contributed tangible capital assets	-	2,229,693	807,115
Government transfers for capital (Schedule 3)	5,824,750	968,678	3,161,817
Gain (loss) on disposal of tangible capital assets	<u>-</u>	<u>41,438</u>	<u>(123,257)</u>
	<u>5,824,750</u>	<u>3,239,809</u>	<u>3,845,675</u>
ANNUAL SURPLUS (DEFICIT)	1,132,244	(83,789)	1,279,251
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>132,072,930</u>	<u>132,072,930</u>	<u>130,793,679</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$133,205,174</u>	<u>\$131,989,141</u>	<u>\$132,072,930</u>

TOWN OF MORINVILLE
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget <u>2016</u> (Note16)	Actual <u>2016</u>	Actual <u>2015</u>
ANNUAL SURPLUS (DEFICIT)	\$ <u>1,132,244</u>	\$ <u>(83,789)</u>	\$ <u>1,279,251</u>
Acquisition of tangible capital assets	(8,261,400)	(2,378,777)	(7,169,894)
Contributed tangible capital assets	-	(2,229,693)	(807,115)
Proceeds on disposal of tangible capital assets	-	86,858	192,450
Amortization of tangible capital assets	5,504,820	5,660,612	5,485,237
Loss (gain) on disposal of tangible capital assets	<u>-</u>	<u>(41,438)</u>	<u>123,257</u>
	<u>(2,756,580)</u>	<u>1,097,562</u>	<u>(2,176,065)</u>
Use (acquisition) of prepaid expenses	<u>-</u>	<u>(11,849)</u>	<u>873</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,624,336)	1,001,924	(895,941)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>2,803,673</u>	<u>2,803,673</u>	<u>3,699,614</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u><u>1,179,337</u></u>	\$ <u><u>3,805,597</u></u>	\$ <u><u>2,803,673</u></u>

TOWN OF MORINVILLE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Annual Surplus (Deficit)	\$ (83,789)	\$ 1,279,251
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	5,660,612	5,485,237
Contributed tangible capital assets	(2,229,693)	(807,115)
Loss (gain) on disposal of tangible capital assets	<u>(41,438)</u>	<u>123,257</u>
	<u>3,305,692</u>	<u>6,080,630</u>
Change in non-cash working capital balances:		
Accounts receivable	732,198	(391,967)
Prepaid expenses	(11,849)	873
Accounts payable and accrued liabilities	(1,017,292)	787,516
Deposit liabilities	131,769	(89,075)
Deferred revenue	<u>1,653,778</u>	<u>(422,001)</u>
	<u>1,488,604</u>	<u>(114,654)</u>
	<u>4,794,296</u>	<u>5,965,976</u>
FINANCING ACTIVITIES		
Long-term debt incurred on land purchase	-	1,000,000
Long-term debt principal repayments	<u>(1,073,488)</u>	<u>(868,980)</u>
	<u>(1,073,488)</u>	<u>131,020</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,378,777)	(7,169,894)
Proceeds on disposal of tangible capital assets	<u>86,858</u>	<u>192,450</u>
	<u>(2,291,919)</u>	<u>(6,977,444)</u>
CHANGE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	1,428,889	(880,448)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>10,070,695</u>	<u>10,951,143</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 11,499,584</u>	<u>\$ 10,070,695</u>

TOWN OF MORINVILLE

SCHEDULE 1

SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Engineered Structures</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>2016</u>	<u>2015</u>
COST:								
Balance, Beginning of Year	\$ 11,984,117	\$ 4,993,622	\$ 22,705,602	\$ 159,525,633	\$ 4,425,680	\$ 3,349,591	\$ 206,984,245	\$ 200,089,538
Acquisition of tangible capital assets	-	125,010	431,940	3,650,961	276,508	124,051	4,608,470	7,977,009
Disposal of tangible capital assets	-	-	-	-	(106,178)	(71,174)	(177,352)	(1,082,302)
Balance, End of Year	<u>11,984,117</u>	<u>5,118,632</u>	<u>23,137,542</u>	<u>163,176,594</u>	<u>4,596,010</u>	<u>3,402,468</u>	<u>211,415,363</u>	<u>206,984,245</u>
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	2,132,752	6,962,880	65,372,991	2,099,589	1,262,161	77,830,373	73,111,730
Annual amortization	-	227,593	661,359	4,144,182	370,461	257,017	5,660,612	5,485,237
Accumulated amortization on disposals	-	-	-	-	(60,758)	(71,174)	(131,932)	(766,594)
Balance, End of Year	-	<u>2,360,345</u>	<u>7,624,239</u>	<u>69,517,173</u>	<u>2,409,292</u>	<u>1,448,004</u>	<u>83,359,053</u>	<u>77,830,373</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 11,984,117</u>	<u>\$ 2,758,287</u>	<u>\$ 15,513,303</u>	<u>\$ 93,659,421</u>	<u>\$ 2,186,718</u>	<u>\$ 1,954,464</u>	<u>\$ 128,056,310</u>	<u>\$ 129,153,872</u>

Cost includes construction in progress of \$717,379 (2015 - \$3,727,040). These amounts are not amortized until the asset is completed and in use.

TOWN OF MORINVILLE
SCHEDULE OF PROPERTY TAXES
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE 2

	<u>2016</u> (Budget) (Note 16)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
TAXATION			
Real property taxes	\$11,644,151	\$11,809,131	\$11,152,425
Linear property taxes	112,933	113,790	116,913
Government grants in place of property taxes	<u>42,166</u>	<u>42,166</u>	<u>55,682</u>
	<u>11,799,250</u>	<u>11,965,087</u>	<u>11,325,020</u>
DEDUCT:			
Education	2,997,572	3,160,150	3,091,593
Seniors Foundation	<u>118,178</u>	<u>121,654</u>	<u>115,861</u>
	<u>3,115,750</u>	<u>3,281,804</u>	<u>3,207,454</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 8,683,500</u>	<u>\$ 8,683,283</u>	<u>\$ 8,117,566</u>

TOWN OF MORINVILLE
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE 3

	<u>2016</u> (Budget) (Note16)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
GOVERNMENT TRANSFERS FOR OPERATING			
Provincial	\$ 558,023	\$ 768,715	\$ 684,945
Local Governments	55,000	121,450	97,915
Federal	<u>8,000</u>	<u>32,495</u>	<u>8,000</u>
	<u>621,023</u>	<u>922,660</u>	<u>790,860</u>
 GOVERNMENT TRANSFERS FOR CAPITAL			
Provincial	<u>5,824,750</u>	<u>968,678</u>	<u>3,161,817</u>
	<u>\$ 6,445,773</u>	<u>\$ 1,891,338</u>	<u>\$ 3,952,677</u>

TOWN OF MORINVILLE

SCHEDULE 4

**SCHEDULE OF SEGMENTED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General Administration	Protective Services	Parks and Recreation	Public Works	Water, Wastewater and Solid Waste	Planning and Development	Other	Total
REVENUE								
Net taxation	\$ 1,365,724	\$ 1,506,899	\$ 2,540,830	\$ 2,031,281	\$ -	\$ 515,855	\$ 722,694	\$ 8,683,283
Water, wastewater and solid waste fees	-	-	-	-	5,083,288	-	-	5,083,288
Franchise fees	1,474,758	-	-	-	-	-	-	1,474,758
Government transfers	73,970	375,216	129,764	-	-	-	343,710	922,660
Sales to other governments	54,518	275,367	-	-	442,577	-	17,456	789,918
Penalties and fines	152,348	527,875	-	-	25,213	-	7,726	713,162
Offsite levies	227,289	-	-	-	-	-	-	227,289
Other revenues	345,145	60,797	444,760	12,946	-	354,499	82,485	1,300,632
	<u>3,693,752</u>	<u>2,746,154</u>	<u>3,115,354</u>	<u>2,044,227</u>	<u>5,551,078</u>	<u>870,354</u>	<u>1,174,071</u>	<u>19,194,990</u>
EXPENSES								
Salaries, wages and benefits	2,072,593	942,157	1,398,917	1,240,693	822,947	384,989	860,718	7,723,014
Contracted and general services	872,835	1,391,571	181,772	110,169	949,654	438,044	108,898	4,052,943
Materials, goods and utilities	266,222	226,537	684,629	1,068,039	341,629	3,671	142,265	2,732,992
Purchases from other governments	-	-	-	-	1,948,779	-	-	1,948,779
Transfers to governments	102,066	-	16,437	-	-	43,650	61,418	223,571
Interest on long-term debt	58,250	-	25,357	9,715	-	-	-	93,322
Bank charges and short-term interest	51,152	-	5,194	-	-	-	772	57,118
Other expenses	14,066	-	-	-	12,171	-	-	26,237
Amortization of tangible capital assets	256,568	185,889	803,048	2,996,637	1,418,470	-	-	5,660,612
	<u>3,693,752</u>	<u>2,746,154</u>	<u>3,115,354</u>	<u>5,425,253</u>	<u>5,493,650</u>	<u>870,354</u>	<u>1,174,071</u>	<u>22,518,588</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS								
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,381,026)</u>	<u>\$ 57,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,323,598)</u>

TOWN OF MORINVILLE
SCHEDULE OF EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE 5

	<u>2016</u> (Budget) (Note 16)	2016 (Actual)	<u>2015</u> (Actual)
Salaries, wages and benefits	\$ 7,611,590	\$ 7,723,014	\$ 7,198,854
Contracted and general services	4,349,115	4,052,943	3,737,470
Materials, goods and utilities	3,037,330	2,732,992	2,541,644
Purchases from other governments	1,873,373	1,948,779	1,886,829
Transfers to governments, agencies and organizations	598,897	223,571	215,559
Interest on long-term debt	93,322	93,322	116,567
Bank charges and short-term interest	28,000	57,118	75,674
Other expenses	25,000	26,237	25,964
Amortization	<u>5,504,820</u>	<u>5,660,612</u>	<u>5,485,237</u>
	<u>\$ 23,121,447</u>	<u>\$ 22,518,588</u>	<u>\$ 21,283,798</u>

TOWN OF MORINVILLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representations of the Town of Morinville's (the "Town") management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting Entity

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

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods and services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

(c) Use of Estimates

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

(d) 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.

(e) 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.

TOWN OF MORINVILLE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) **Non-Financial Assets**

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

i) **Tangible Capital Assets**

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

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

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

ii) **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.

(g) **Cash and Cash Equivalents**

Cash and cash equivalents includes bank accounts, petty cash, Servus Credit Union common shares and Guaranteed Investment Certificates with maturity dates within 90 days or that are redeemable at any time.

(h) **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.

TOWN OF MORINVILLE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2016

2. CASH AND CASH EQUIVALENTS

	<u>2016</u>	<u>2015</u>
Guaranteed Investment Certificates	\$ 9,000,000	\$ 8,600,000
Bank accounts	2,428,392	1,401,952
Servus Credit Union common shares	68,378	66,079
Petty cash	<u>2,814</u>	<u>2,664</u>
	<u>\$11,499,584</u>	<u>\$10,070,695</u>

Guaranteed Investment Certificates have interest rates ranging from 1.24% to 1.25% with maturity dates ranging from January 30, 2017 to February 28, 2017.

3. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Utilities	\$ 542,137	\$ 536,363
Government transfers	506,890	1,032,583
Property taxes	467,332	437,962
Trade	350,281	489,278
Goods and Services Tax	<u>129,772</u>	<u>232,424</u>
	1,996,412	2,728,610
Allowance for doubtful accounts	<u>(30,000)</u>	<u>(30,000)</u>
	<u>\$ 1,966,412</u>	<u>\$ 2,698,610</u>

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2016</u>	<u>2015</u>
Trade	\$ 1,036,181	\$ 1,874,906
Government payroll remittances	120,247	-
Construction holdbacks	111,693	381,661
Vacation	95,209	121,353
Accrued interest on long-term debt	<u>14,007</u>	<u>16,709</u>
	<u>\$ 1,377,337</u>	<u>\$ 2,394,629</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>2016</u>	<u>2015</u>
Provincial government transfers		
Municipal sustainability initiative grant	\$ 2,194,553	\$ 1,094,748
Federal gas tax fund grant	1,189,846	676,194
Affordable housing grant	766,317	758,729
Basic municipal transportation grant	556,596	493,878
Other	<u>39,124</u>	<u>69,109</u>
	<u>\$ 4,746,436</u>	<u>\$ 3,092,658</u>

TOWN OF MORINVILLE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2016

6. LONG-TERM DEBT

	<u>2016</u>	<u>2015</u>
Debenture debt held by Alberta Capital Finance Authority, repayable in semi-annual installments of \$114,602 including interest at 2.634%; due June 15, 2027.	\$ 2,090,584	\$ 2,261,342
Mortgage debt on land purchase, repayable in annual interest-free installments of \$500,000.	500,000	1,000,000
Debenture debt held by Alberta Capital Finance Authority, repayable in annual installments of \$69,137 including interest at 6%; due August 15, 2022.	339,971	385,951
Debenture debt held by Alberta Capital Finance Authority, repayable in semi-annual installments of \$52,258 including interest at 6%; due June 15, 2019.	139,685	181,078
Debenture debt held by Alberta Capital Finance Authority, repayable in annual installments of \$318,912 including interest at 2.2545%; due July 15, 2016.	<u> -</u>	<u> 315,357</u>
	<u>\$ 3,070,240</u>	<u>\$ 4,143,728</u>

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 767,900	\$ 83,149	\$ 851,049
2018	278,104	72,494	350,598
2019	288,765	61,833	350,598
2020	247,649	50,692	298,341
2021	256,159	42,183	298,342
Thereafter	<u>1,231,663</u>	<u>98,095</u>	<u>1,329,758</u>
	<u>\$ 3,070,240</u>	<u>\$ 408,446</u>	<u>\$ 3,478,686</u>

Interest on long-term debt expense amounted to \$93,322 (2015 - \$116,567).

The Town's total cash payments for interest amounted to \$96,023 (2015 - \$119,441)

TOWN OF MORINVILLE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2016

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2016</u>	<u>2015</u>
Tangible capital assets (Schedule 1)	\$211,415,363	\$206,984,245
Accumulated amortization (Schedule 1)	(83,359,053)	(77,830,373)
Long-term debt (Note 6)	<u>(3,070,240)</u>	<u>(4,143,728)</u>
	<u>\$124,986,070</u>	<u>\$125,010,144</u>

8. ACCUMULATED SURPLUS

	<u>2016</u>	<u>2015</u>
Restricted surplus		
General operating	\$ 1,000,000	\$ 2,928,867
Safety initiative	153,598	16,000
Water contingency	258,956	254,547
Sanitary contingency	175,296	171,264
General capital	3,246,553	1,921,925
Community cultural centre	-	(837,602)
Water capital	156,480	(1,350,054)
Sanitary capital	1,649,826	630,461
Storm sewer capital	857,719	42,172
Transportation	217,304	2,502
Fire vehicles	136,519	134,543
Library	71,977	70,935
Public works vehicles	354,710	304,812
Office equipment	-	36,097
Parks, recreation and culture	75,091	5,694
Recreation - developer	306,934	300,520
Offsite levies - transportation	1,366,950	1,291,579
Offsite levies - sanitary	368,167	512,910
Offsite levies - water	<u>(3,393,009)</u>	<u>625,614</u>
	<u>7,003,071</u>	<u>7,062,786</u>
Equity in tangible capital assets (Note 7)	<u>124,986,070</u>	<u>125,010,144</u>
	<u>\$131,989,141</u>	<u>\$132,072,930</u>

TOWN OF MORINVILLE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2016

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>2016</u> <u>Total</u>	2015 <u>Total</u>
Mayor L. Holmes	\$ 34,623	\$ 6,842	\$ 41,465	\$ 41,685
Councilors				
S. Dafoe	25,329	6,295	31,624	32,566
N. Boutestein	21,944	6,166	28,110	28,063
G. Putnam	19,924	6,089	26,013	26,505
R. Ladouceur	19,832	6,110	25,942	25,499
B. Fitzgerald	22,442	2,821	25,263	23,661
B. Turner	17,604	6,001	23,605	27,386
Chief Administrative Officer	130,891	30,345	161,236	-
Chief Administrative Officer	92,794	7,360	100,154	179,743
Designated Officers	376,632	95,596	472,228	472,320

(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 (CONT'D)

DECEMBER 31, 2016

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>2016</u>	<u>2015</u>
Total debt limit	\$ 28,792,485	\$ 28,076,061
Total debt	<u>(3,070,240)</u>	<u>(4,143,728)</u>
Amount of total debt limit unused	<u>\$ 25,722,245</u>	<u>\$ 23,932,333</u>
Debt servicing limit	\$ 4,798,748	\$ 4,679,344
Debt servicing	<u>(851,049)</u>	<u>(1,169,511)</u>
Amount of debt servicing limit unused	<u>\$ 3,947,699</u>	<u>\$ 3,509,833</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.

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 in the process of planning and constructing a new recreation facility, including 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, 2016, 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, 2016

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:

	<u>2016</u> (Budget) (Note 16)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
Fortis Alberta	\$ 894,000	\$ 903,652	\$ 881,806
AltaGas Ltd.	<u>557,662</u>	<u>571,106</u>	<u>515,167</u>
	<u>\$ 1,451,662</u>	<u>\$ 1,474,758</u>	<u>\$ 1,396,973</u>

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

Total current and past service contributions made by the Town to the LAPP in 2016 were \$555,139 (2015 - \$550,407). Total current and past service contributions made by the employees of the Town to the LAPP in 2016 were \$510,462 (2015 - \$506,247).

At December 31, 2015, the LAPP disclosed an actuarial deficit of \$0.9 billion (2014 - \$2.5 billion).

14. FINANCIAL INSTRUMENTS

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

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).

TOWN OF MORINVILLE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2016

16. BUDGET

The budget figures are provided for information purposes only, and have not been audited. The 2016 budget, prepared by the Town of Morinville, reflects all municipal activities including capital projects and restricted surplus for future use. The reconciliation below is provided to encompass these items and is provided for information purposes only.

	<u>2016</u> (Budget)
Annual surplus (per statement of operations and accumulated surplus)	\$ 1,132,244
Amortization	5,504,820
Acquisition of tangible capital assets	(8,261,400)
Net transfers from restricted surplus (per below)	<u>1,624,336</u>
	\$ _____ -
Acquisition of tangible capital assets funded from restricted surplus	\$ 2,010,650
Acquisition of tangible capital assets funded from debenture proceeds	500,000
Tax supported surplus to restricted surplus	(14,964)
Utility supported surplus to restricted surplus	(1,444,837)
Debenture repayment from restricted surplus	<u>573,487</u>
Net transfers from restricted surplus	\$ <u>1,624,336</u>

17. CREDIT FACILITY

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

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.