

**VILLAGE OF MORRIN
FINANCIAL STATEMENTS
FOR THE YEAR END DECEMBER 31, 2019**

**VILLAGE OF MORRIN
FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Opinion

We have audited the consolidated financial statements of the Village of Morrin, which comprise of the statement of financial position as at, December 31, 2019 and the results of its operations and changes in its net financial assets and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Village of Morrin as at December 31, 2019, the results of its operations, changes in net financial assets and its cash flows for the year 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Village of Morrin 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 these 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the 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 Village's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Village's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated 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 auditor's 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 the 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:



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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls 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 Village's internal controls.
- 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 Village's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 the auditor's report. However future events or conditions may cause the Village to cease to continue to be 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

- **Debt Limit Regulation:** In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Village's debt limit can be found in Note 6.
- **Supplementary Accounting Principles and Standards Regulation:** In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 1.

HANNA, ALBERTA
JULY 29, 2020, except for NOTE 14 as to which
the date is DECEMBER 8, 2020


CHARTERED PROFESSIONAL ACCOUNTANTS

VILLAGE OF MORRIN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

| | 2019 | 2018 Restated |
|---|---------------------|--------------------------------|
| FINANCIAL ASSETS | | |
| Cash and temporary investments (Note 2) | \$ 817,779 | \$ 1,046,978 |
| Receivables | | |
| Taxes and grants in place of taxes (Note 3) | 208,319 | 181,283 |
| Trade and other receivables | 27,463 | 22,742 |
| Receivables from other governments | 256,302 | 65,436 |
| Land inventory held for resale | <u>13,963</u> | <u>13,963</u> |
| | <u>1,323,826</u> | <u>1,330,402</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 186,651 | 83,536 |
| Deposit liabilities (Note 4) | 8,244 | 7,234 |
| Deferred revenue (Note 5) | <u>690,045</u> | <u>578,298</u> |
| | <u>884,940</u> | <u>669,068</u> |
| NET FINANCIAL ASSETS | <u>438,886</u> | <u>661,334</u> |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets | <u>4,508,704</u> | <u>4,294,599</u> |
| | <u>4,508,704</u> | <u>4,294,599</u> |
| ACCUMULATED SURPLUS | <u>\$ 4,947,590</u> | <u>\$ 4,955,933</u> |

COMMITMENTS (SEE NOTE 11)
SUBSEQUENT EVENTS (SEE NOTE 14)

VILLAGE OF MORRIN
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Budget (Unaudited) | 2019 | 2018 Restated |
|---|-----------------------|---------------------|---------------------|
| REVENUE | | | |
| Net municipal taxes (Schedule 2) | \$ 190,000 | \$ 193,476 | \$ 181,932 |
| User fees and sale of goods | 169,800 | 149,672 | 140,630 |
| Government transfers for operating (Schedule 3) | 62,000 | 75,972 | 53,889 |
| Investment income | 12,000 | 17,980 | 11,699 |
| Penalties and costs on taxes | 28,000 | 31,834 | 25,427 |
| Licenses and permits | | 280 | 370 |
| Franchise and concession contracts | 27,000 | 24,261 | 25,543 |
| Other | | 624 | 3 |
| Total Revenue | <u>488,800</u> | <u>494,099</u> | <u>439,493</u> |
| EXPENSES | | | |
| Legislative | 5,260 | 4,760 | 4,990 |
| Administration | 166,592 | 146,699 | 137,081 |
| Protective services | 29,567 | 34,378 | 26,770 |
| Transportation | 90,680 | 107,778 | 104,214 |
| Water supply and distribution | 72,000 | 161,041 | 164,602 |
| Wastewater treatment and disposal | 52,300 | 75,161 | 73,217 |
| Waste management | 41,081 | 32,993 | 38,680 |
| Subdivision land and development | 22,600 | 22,992 | 2,528 |
| Parks and recreation | 700 | 334 | 85 |
| Culture | 8,020 | 14,267 | 5,878 |
| Public health and welfare | | 2,039 | 2,039 |
| Total Expenses | <u>488,800</u> | <u>602,442</u> | <u>560,084</u> |
| EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER | | (108,343) | (120,591) |
| Government transfers for capital (Schedule 3) | | <u>100,000</u> | |
| EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES | | (8,343) | (120,591) |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | <u>4,955,933</u> | <u>4,955,933</u> | <u>5,076,524</u> |
| ACCUMULATED SURPLUS, END OF YEAR | <u>\$ 4,955,933</u> | <u>\$ 4,947,590</u> | <u>\$ 4,955,933</u> |

VILLAGE OF MORRIN
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Budget (Unaudited) | 2019 | 2018 Restated |
|--|-----------------------|-------------------|-------------------|
| EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES | | | |
| | \$ _____ | \$ (8,343) | \$ (120,591) |
| Acquisition of tangible capital assets | | (322,417) | (354) |
| Amortization of tangible capital assets | _____ | 108,312 | 115,057 |
| | _____ | (214,105) | 114,703 |
| (INCREASE) DECREASE IN NET DEBT | | (222,448) | (5,888) |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | 661,334 | 661,334 | 667,222 |
| NET FINANCIAL ASSETS, END OF YEAR | <u>\$ 661,334</u> | <u>\$ 438,886</u> | <u>\$ 661,334</u> |

VILLAGE OF MORRIN
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | 2018 |
|--|-------------------|---------------------|
| NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES: | | |
| OPERATING | | |
| Excess (shortfall) of revenues over expenses | \$ (8,343) | \$ (120,591) |
| Non-cash items included in excess(shortfall) of revenues over expenses: | | |
| Amortization of tangible capital assets | <u>108,312</u> | <u>115,057</u> |
| | 99,969 | (5,534) |
| Changes in net financial asset(debt) items: | | |
| Decrease (increase) in taxes and grants in place of taxes receivable | (27,036) | (34,411) |
| Decrease (increase) in trade and other receivables | (4,721) | (4,514) |
| Decrease (increase) in receivables from other governments | (190,866) | 130,444 |
| Increase (decrease) in accounts payable and accrued liabilities | 103,115 | (5,900) |
| Increase (decrease) in deposit liabilities | 1,010 | 445 |
| Increase (decrease) in deferred revenue | <u>111,747</u> | <u>232,729</u> |
| Cash provided by (applied to) operating transactions | <u>93,218</u> | <u>313,259</u> |
| CAPITAL | | |
| Acquisition of tangible capital assets | <u>(322,417)</u> | <u>(354)</u> |
| CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR | (229,199) | 312,905 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>1,046,978</u> | <u>734,073</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 817,779</u> | <u>\$ 1,046,978</u> |
| Cash and cash equivalents is made up of: | | |
| Cash and temporary investments (Note 2) | <u>\$ 817,779</u> | <u>\$ 1,046,978</u> |

VILLAGE OF MORRIN
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 1

| | Land | Land Improvements | Buildings | Engineered Structures | Machinery & Equipment | Vehicles | 2019 | 2018 |
|---|------------------|-------------------|------------------|-----------------------|-----------------------|-------------------|---------------------|---------------------|
| COST: | | | | | | | | |
| BALANCE, BEGINNING OF YEAR | \$ 62,039 | \$ 20,237 | \$ 131,252 | \$ 5,929,253 | \$ 133,657 | \$ 479,940 | \$ 6,756,378 | \$ 6,756,024 |
| Acquisition of tangible capital assets | | 38,080 | | 269,835 | 11,970 | | 319,885 | 354 |
| Construction-in-progress | | | | <u>2,532</u> | | | <u>2,532</u> | |
| BALANCE, END OF YEAR | <u>62,039</u> | <u>58,317</u> | <u>131,252</u> | <u>6,201,620</u> | <u>145,627</u> | <u>479,940</u> | <u>7,078,795</u> | <u>6,756,378</u> |
| ACCUMULATED AMORTIZATION: | | | | | | | | |
| BALANCE, BEGINNING OF YEAR | | 20,237 | 74,579 | 2,096,677 | 125,506 | 144,780 | 2,461,779 | 2,346,722 |
| Annual amortization | | <u>381</u> | <u>2,230</u> | <u>86,457</u> | <u>4,132</u> | <u>15,112</u> | <u>108,312</u> | <u>115,057</u> |
| NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | <u>\$ 62,039</u> | <u>\$ 37,699</u> | <u>\$ 54,443</u> | <u>\$ 4,018,486</u> | <u>\$ 15,989</u> | <u>\$ 320,048</u> | <u>\$ 4,508,704</u> | <u>\$ 4,294,599</u> |
| 2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | <u>\$ 62,039</u> | | <u>\$ 56,673</u> | <u>\$ 3,832,576</u> | <u>\$ 8,151</u> | <u>\$ 335,160</u> | <u>\$ 4,294,599</u> | |

VILLAGE OF MORRIN
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2019
Schedule 2

| | Budget (Unaudited) | 2019 | 2018 |
|--|-----------------------|-------------------|-------------------|
| TAXATION | | | |
| Real property taxes | \$ 222,602 | \$ 222,508 | \$ 216,216 |
| Linear property taxes | <u>17,914</u> | <u>19,174</u> | <u>16,635</u> |
| | <u>240,516</u> | <u>241,682</u> | <u>232,851</u> |
| REQUISITIONS | | | |
| Alberta School Foundation Fund | 42,045 | 39,735 | 41,955 |
| Drumheller and District Seniors Foundation | <u>8,471</u> | <u>8,471</u> | <u>8,964</u> |
| NET MUNICIPAL TAXES | <u>\$ 190,000</u> | <u>\$ 193,476</u> | <u>\$ 181,932</u> |

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 3

| | Budget (Unaudited) | 2019 | 2018 |
|-----------------------------------|-----------------------|-------------------|------------------|
| TRANSFERS FOR OPERATING | | | |
| Provincial government | \$ 61,000 | \$ 60,656 | \$ 41,989 |
| Federal government | 1,000 | | 2,100 |
| Local government transfers | <u> </u> | <u>15,316</u> | <u>9,800</u> |
| | <u>62,000</u> | <u>75,972</u> | <u>53,889</u> |
| Provincial government | <u> </u> | <u>100,000</u> | <u> </u> |
| TOTAL GOVERNMENT TRANSFERS | <u>\$ 62,000</u> | <u>\$ 175,972</u> | <u>\$ 53,889</u> |

VILLAGE OF MORRIN
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 4

| | Budget (Unaudited) | 2019 | 2018 |
|---|-----------------------|----------------|-------------------|
| CONSOLIDATED EXPENSES BY OBJECT | | | |
| Wages, salaries and benefits | \$ | 153,279 | \$ 151,305 |
| Contracted and general services | | 264,729 | 224,183 |
| Materials, goods, supplies and utilities | | 65,207 | 65,415 |
| Transfer to individuals and organizations | | 10,915 | 4,124 |
| Amortization of tangible capital assets | | 108,312 | 115,057 |
| | <u>\$</u> | <u>602,442</u> | <u>\$ 560,084</u> |

*Budget by object not available based on 2019 budget prepared

VILLAGE OF MORRIN
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 5

| | Unrestricted Surplus | Restricted Surplus | Equity in Tangible Capital Assets | 2019 | 2018 |
|---|-------------------------|-----------------------|--------------------------------------|---------------------|---------------------|
| BALANCE, BEGINNING OF YEAR | \$ 310,906 | \$ 350,428 | \$ 4,294,599 | \$ 4,955,933 | \$ 5,076,524 |
| Excess (deficiency) of revenues over expenses | (8,343) | | | (8,343) | (120,591) |
| Current year funds used for tangible capital assets | (322,417) | | 322,417 | | |
| Annual amortization expense | 108,312 | | (108,312) | | |
| Change in accumulated surplus | (222,448) | | 214,105 | (8,343) | (120,591) |
| BALANCE, END OF YEAR | <u>\$ 88,458</u> | <u>\$ 350,428</u> | <u>\$ 4,508,704</u> | <u>\$ 4,947,590</u> | <u>\$ 4,955,933</u> |

VILLAGE OF MORRIN
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2019
Schedule 6

| | General Government | Protective Services | Transportation Services | Planning & Development | Water / Wastewater | Waste Management | Recreation & Culture | Total |
|---|--------------------|---------------------|-------------------------|------------------------|--------------------|--------------------|----------------------|-------------------|
| REVENUE | | | | | | | | |
| Net municipal taxes | \$ 193,476 | \$ | \$ | \$ | \$ | \$ | \$ | \$ 193,476 |
| User fees and sales of goods | 4,200 | 20,884 | 4,164 | 95 | 105,655 | 14,674 | | 149,672 |
| Government transfers | 40,656 | 15,316 | | 20,000 | 100,000 | | | 175,972 |
| Investment income | 17,980 | | | | | | | 17,980 |
| Penalties | 31,834 | | | | | | | 31,834 |
| Franchise fees | 24,261 | 280 | | | | | | 24,261 |
| Licenses and permits | | | | | | | | 280 |
| Other revenues | 624 | | | | | | | 624 |
| | <u>313,031</u> | <u>36,480</u> | <u>4,164</u> | <u>20,095</u> | <u>205,655</u> | <u>14,674</u> | | <u>594,099</u> |
| EXPENSES | | | | | | | | |
| Salaries & wages | 87,805 | | | | | | | 87,805 |
| Contract & general services | 57,925 | 9,304 | 24,795 | | 20,921 | 19,758 | | 153,279 |
| Goods & supplies | 5,729 | 7,821 | 21,221 | 22,992 | 137,268 | 13,021 | 2,998 | 264,729 |
| Transfers to organizations | 2,039 | | 36,782 | | 12,529 | | 2,346 | 65,207 |
| | <u>153,498</u> | <u>17,125</u> | <u>82,798</u> | <u>22,992</u> | <u>170,718</u> | <u>32,779</u> | <u>14,220</u> | <u>10,915</u> |
| NET REVENUE, BEFORE AMORTIZATION | <u>159,533</u> | <u>19,355</u> | <u>(78,634)</u> | <u>(2,897)</u> | <u>34,937</u> | <u>(18,105)</u> | <u>(14,220)</u> | <u>99,969</u> |
| Amortization expense | | 17,253 | 24,980 | | 65,484 | 214 | 381 | 108,312 |
| NET REVENUE | <u>\$ 159,533</u> | <u>\$ 2,102</u> | <u>\$ (103,614)</u> | <u>\$ (2,897)</u> | <u>\$ (30,547)</u> | <u>\$ (18,319)</u> | <u>\$ (14,601)</u> | <u>\$ (8,343)</u> |

VILLAGE OF MORRIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Village of Morrin are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Village are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Village and are, therefore, accountable to the Village Council for the administration of their financial affairs and resources. The Village's proportionate share of the Starland Regional Water Authority operations are contained in these financial statements.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

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 or 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.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

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 measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Significant financial statement areas requiring the use of management estimates include:

- Useful life of tangible capital assets;
- Accrued liabilities;
- Fair value of contributed tangible capital assets

VILLAGE OF MORRIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1.. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the 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) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax 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. 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.

f) Prepaid Local Improvement Charges

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.

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

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

g) Net Municipal Taxes

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act (MGA) and tax rates established annually by Village Council. Taxation revenues are recorded at the time the tax billings are issued. Assessments may change due to appeal or as a result of adjustments made by assessors to correct errors or omissions. Gain or losses on assessment changes or appeals are recorded as adjustments to tax revenue and receivables when a written decision is received from the authorized board or a change is generated by the authorized assessor.

h) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

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

VILLAGE OF MORRIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1.. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) 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:

| | YEARS |
|-----------------------------|--------------|
| Land improvements | |
| Buildings | 10-45 |
| Engineering structures | 25-50 |
| Water system | |
| Wastewater system | 45-75 |
| Other engineered structures | 45-75 |
| Machinery and equipment | 5-75 |
| Vehicles | 5-40 |
| | 10-40 |

In the year of acquisition of a capital asset, annual amortization is based on 50% of the annual amortization and in the year of disposal no amortization is charged. 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.

iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

v. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

VILLAGE OF MORRIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. CASH AND TEMPORARY INVESTMENTS

| | 2019 | 2018 |
|-----------------------|-------------|--------------|
| Cash | \$ 534,782 | \$ 764,138 |
| Temporary investments | 282,997 | 282,840 |
| | \$ 817,779 | \$ 1,046,978 |

Temporary investments are comprised of Term deposits and savings accounts that bear monthly interest at rates between 0.25% and 2.25%. The term deposit matures on May 29, 2020.

The Village received certain Alberta Government grants that are restricted in their use and are to be utilized as funding for certain projects. Since certain projects have not been completed for which this restricted funding has been received, \$458,274 (\$516,309 - 2018) of the Treasury Bills, term deposit and cash amounts on hand are not available for general use by the Village.

In addition, the cash balance contains \$105,442 that represents the Village's share of the Starland Regional Water Authority and is not available for general purposes.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

| | 2019 | 2018 |
|---|-------------|-------------|
| Current taxes and grants in place receivables | \$ 77,124 | \$ 72,224 |
| Arrears taxes | 148,911 | 126,775 |
| | 226,035 | 198,999 |
| Less: allowance for doubtful accounts | (17,716) | (17,716) |
| | \$ 208,319 | \$ 181,283 |

4. DEPOSIT LIABILITIES

The Village maintains utility deposits of \$8,244 - 2019 (\$7,234 - 2018)

VILLAGE OF MORRIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

5. DEFERRED REVENUE

| | <u>2019</u> | <u>2018</u> |
|---|-----------------------------|----------------------------|
| Alberta Municipal Sustainability Initiative - Capital | \$ 450,197 | \$ <u>Restated</u> 318,450 |
| Federal Gas Tax Fund | 239,848 | 239,848 |
| Alberta Community Partnership | <u> </u> | <u>20,000</u> |
| | <u>\$ 690,045</u> | <u>\$ 578,298</u> |

Alberta Municipal Sustainability Initiative Capital Grant

Provincial government funding was received in the current and prior years to undertake certain eligible expenditures within the Village that has not yet been expended. All interest earned on the grant funds must be applied to the eligible project. As of December 31, 2019, \$131,771 was receivable by the Village.

Federal Gas Tax Fund

Federal and Provincial government funding was received in the current year to undertake certain eligible projects within the Village that have not yet been expended. As of December 31, 2019, \$100,000 was receivable by the Village.

6. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Village of Morrin be disclosed as follows:

| | <u>2019</u> | <u>2018</u> |
|---------------------------------------|-----------------------------|-----------------------------|
| Total debt limit | \$ 741,149 | \$ 659,240 |
| Total debt | <u> </u> | <u> </u> |
| Amount of debit limit unused | <u>\$ 741,149</u> | <u>\$ 659,240</u> |
| Debt servicing limit | \$ 123,525 | \$ 109,873 |
| Debt servicing | <u> </u> | <u> </u> |
| Amount of debt servicing limit unused | <u>\$ 123,525</u> | <u>\$ 109,873</u> |

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

VILLAGE OF MORRIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. EQUITY IN TANGIBLE CAPITAL ASSETS

| | 2019 | 2018 |
|--------------------------|---------------------|---------------------|
| Tangible capital assets | \$ 7,078,795 | \$ 6,756,378 |
| Accumulated amortization | (2,570,091) | (2,461,779) |
| | \$ 4,508,704 | \$ 4,294,599 |

8. ACCUMULATED SURPLUS

| | 2019 | 2018 |
|-----------------------------------|---------------------|---------------------|
| | | Restated |
| Unrestricted surplus | \$ 88,458 | \$ 310,906 |
| Restricted surplus: | | |
| Operating contingency | 8,918 | 8,918 |
| Administration | 52,513 | 52,513 |
| Protective services | 43,721 | 43,721 |
| Common and equipment pool | 40,000 | 40,000 |
| Water supply and distribution | 178,738 | 178,738 |
| Wastewater treatment and disposal | 15,952 | 15,952 |
| Parks and recreation | 10,586 | 10,586 |
| Equity in tangible capital assets | 4,508,704 | 4,294,599 |
| | \$ 4,947,590 | \$ 4,955,933 |

9. SEGMENTED DISCLOSURE

The Village of Morrin provides a range of services to its ratepayers. For each reported segment, revenues and expenses represents 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 the followed in the preparation of the financial statements as disclosed in Note 1.

Refer to Schedule of Segmented Disclosure (Schedule 6)

VILLAGE OF MORRIN
NOTES TO FINANCIAL STATEMENTS
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10. SALARY AND BENEFITS

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:

| | 2019 | | | 2018 |
|---------------------------------|----------|-----------------------|----------|----------|
| | Salary | Benefits & allowances | Total | Total |
| Councillors: | | | | |
| Howard Helton | \$ 1,750 | \$ | \$ 1,750 | \$ 1,650 |
| Melissa Wilton | 400 | | 400 | |
| Mary Edwards | 1,700 | | 1,700 | 1,825 |
| Robert Graham | 100 | | 100 | 650 |
| Chief Administrative Officer | 76,183 | 3,801 | 79,984 | 79,828 |
| Designated Officer (1 Position) | 5,040 | | 5,040 | 5,040 |

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration. Contained in the Chief Administrative Officer's salary is \$12,000 approved for the purchase of an RRSP directly by the employee.

2. Employer's share of all employee benefits and contributions or payments 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.

3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships. Benefits and allowances reported in 2019 include the employers payment's with respect to the Canada Pension Plan and Employment Insurance Contributions.

11. COMMITMENTS

The Village has entered into a ten year assessor consultant agreement for the period June 1, 2017 to March 31, 2027

VILLAGE OF MORRIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

12. FINANCIAL INSTRUMENTS

The Village's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, and deferred revenue. It is management's opinion that the Village is not exposed to significant interest or currency risks arising from these financial instruments.

The Village is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Village provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

13. PRIOR PERIOD ADJUSTMENTS

The Village has restated their prior year financial statements as a result of the modifications to the Federal Gas Tax statements of funding and expenditures. As a result, deferred revenue has increased by \$50,000 and accumulated surplus has decreased by \$50,000.

14. SUBSEQUENT EVENTS

In March 2020, the World Health organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving and the measures put in place are having multiple impacts on local, provincial, national and global economies. The overall effect of these events on the Village and its operations is unknown at this time. The impacts will be accounted for when they are known and may be assessed.

On September 28, 2020 it was discovered that a project profile was approved for the utilization of \$100,000 for the funding of certain 2019 tangible capital assets acquired. This information was not conveyed during the preparation of the 2019 audit and subsequently the 2019 financial statements were completed and uploaded to the Alberta Municipal Affairs portal upon completion and provided to the Village. The Village Council had not approved the statements at this time. The financial statements were available for review by the public at this time. Subsequently, the Village funded the allowable \$100,000 portion of the Tangible Capital Assets that were approved under the Federal Gas Tax Fund. As a result of this amendment, we have reissued our Audit report and it is dated December 8, 2020.

15. BUDGET AMOUNTS

The 2019 budget for the Village was approved by council and has been reported in the consolidated financial statement for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

16. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.
