

TOWN OF ROCKY MOUNTAIN HOUSE
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Mayor and Council of the Town of Rocky Mountain House

Management of the Town of Rocky Mountain House is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Town's financial position as at December 31, 2021 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for the preparation of the consolidated financial statements.

The Town Council carries out its responsibilities for review of the consolidated financial statements principally through its Audit Committee. This committee meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Audit Committee with and without the presence of management. The Town Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Baker Tilly WCR LLP, Chartered Professional Accountants, independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Redacted under Section 17 of the FOIP Act.

Dean Krause
Chief Administrative Officer

10/20/22
Date

Redacted under Section 17 of the FOIP Act.

Betty Quinlan
Director of Corporate Services

Oct 19/22
Date



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Town of Rocky Mountain House

Opinion

We have audited the accompanying consolidated financial statements of the Town of Rocky Mountain House (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Town as at December 31, 2021, and the results of its consolidated operations, change in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statement or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement of this other information, we are required to report that fact to the Mayor and Council.

INDEPENDENT AUDITORS' REPORT (Continued)

Responsibilities of management and Council for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Town'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 liquidate or to cease operations, or has no realistic alternative but to do so.

Council is responsible for overseeing the Town's financial reporting process.

Auditors' responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 users taken on the basis of these consolidated financial statements.

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

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

INDEPENDENT AUDITORS' REPORT (Continued)

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

Baker Tilly WCP LLP

Rocky Mountain House, Alberta
October 19, 2022

Chartered Professional Accountants

TOWN OF ROCKY MOUNTAIN HOUSE

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

	2021	2020
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 26,106,426	\$ 18,364,024
Receivables		
Taxes receivable (Note 3)	339,077	389,146
Trade and other receivables (Note 4)	7,918,584	4,432,482
Land for resale inventory	1,623,434	1,623,434
Long-term receivable (Note 5)	<u>1,727,967</u>	<u>1,243,968</u>
	<u>37,715,488</u>	<u>26,053,054</u>
LIABILITIES		
Bank demand loan (Note 6)	\$ 1,596,511	\$ -
Accounts payable and accrued liabilities	2,843,220	2,754,085
Accounts payable - tangible capital assets	309,317	420,527
Employee benefit obligations (Note 7)	383,633	409,928
GST Payable	72,582	49,776
Payroll remittances payable	61,851	45,134
Security deposits (Note 8)	160,389	188,294
Deferred revenue (Note 9)	8,647,877	3,923,821
Long term debt (Note 10)	5,388,995	6,219,163
Landfill closure and post-closure costs (Note 11)	<u>1,116,183</u>	<u>-</u>
	<u>20,580,558</u>	<u>14,010,728</u>
NET FINANCIAL ASSETS	<u>17,134,930</u>	<u>12,042,326</u>
NON - FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	95,210,328	93,707,585
Inventory for consumption	61,426	53,205
Prepaid expenses and deposits	<u>73,375</u>	<u>72,344</u>
	<u>95,345,129</u>	<u>93,833,134</u>
ACCUMULATED SURPLUS (Schedule 1, Note 14)	<u>\$ 112,480,059</u>	<u>\$ 105,875,460</u>

Contractual Rights, Contractual Obligations and Contingencies - See Note 15

Approved by Town Council:

Redacted under Section 17 of the FOIP Act.

Redacted under Section 17 of the FOIP Act.

See accompanying schedules and notes to the financial statements.

TOWN OF ROCKY MOUNTAIN HOUSE
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
REVENUE			
Net municipal taxes (Schedule 3)	\$ 9,186,455	\$ 9,128,114	\$ 9,190,480
Local improvements	238,200	22,075	22,075
User fees and sale of goods	5,628,948	5,218,854	5,212,830
Government transfers for operating (Schedule 4)	2,746,739	3,777,696	3,315,736
Investment income	135,000	153,835	203,732
Penalties and costs of taxes	309,300	173,468	162,296
Franchise and concessions	1,271,124	1,218,602	1,176,591
Licenses and permits	139,600	171,434	148,732
Advertising and sponsorships	144,800	94,373	104,350
Rentals	741,500	618,091	493,846
Other revenues	-	30,736	536,170
Total Revenue	<u>20,541,666</u>	<u>20,607,278</u>	<u>20,566,838</u>
EXPENSES			
Legislative	372,529	293,830	298,825
Administration	1,842,400	2,061,718	1,683,285
Protective services	3,698,947	4,044,773	3,264,601
Roads, streets, walks, lighting	3,378,579	3,583,775	3,533,443
Water supply and distribution	2,374,685	2,249,573	2,021,605
Wastewater treatment and disposal	1,169,975	1,017,201	1,062,645
Waste management	1,602,518	1,312,889	1,286,677
Family and community support	681,380	759,608	751,615
Planning and development	891,969	828,195	896,295
Parks and recreation	4,291,788	3,641,485	3,953,284
Culture	567,329	543,400	546,877
Public health	168,716	166,881	138,111
Total Expenses	<u>21,040,815</u>	<u>20,503,328</u>	<u>19,437,263</u>
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES - BEFORE OTHER	(499,149)	103,950	1,129,575
OTHER			
Gain on disposal of tangible capital assets	252,600	(265,076)	(109,855)
Gain on dissolution of Regional Waste Authority	-	3,433,379	-
Government transfers for capital (Schedule 4)	6,597,771	3,332,346	4,066,526
EXCESS OF REVENUES OVER EXPENSES	6,351,222	6,604,599	5,086,246
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>105,875,460</u>	<u>105,875,460</u>	<u>100,789,214</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$112,226,682</u>	<u>\$112,480,059</u>	<u>\$105,875,460</u>

See accompanying schedules and notes to the financial statements.

TOWN OF ROCKY MOUNTAIN HOUSE

**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2021**

	Budget (Unaudited)	2021	2020
EXCESS OF REVENUES OVER EXPENSES	\$ <u>6,351,222</u>	\$ <u>6,604,599</u>	\$ <u>5,086,246</u>
Acquisition of tangible capital assets	(10,307,900)	(5,982,676)	(2,693,633)
Acquisition of construction-in-progress	-	736,088	(4,381,433)
Proceeds on disposal of tangible capital assets	-	179,000	73,000
Amortization of tangible capital assets	3,175,600	3,299,771	3,413,908
(Gain)/Loss on disposal of tangible capital assets	<u>(252,600)</u>	<u>265,076</u>	<u>109,855</u>
	<u>(7,384,900)</u>	<u>(1,502,741)</u>	<u>(3,478,303)</u>
Net use of supplies inventories	-	(8,223)	132,333
Net acquisition of prepaid assets	<u>-</u>	<u>(1,031)</u>	<u>232,899</u>
	<u>-</u>	<u>(9,254)</u>	<u>365,232</u>
DECREASE IN NET DEBT	(1,033,678)	5,092,604	1,973,175
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>12,042,326</u>	<u>12,042,326</u>	<u>10,069,151</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u>11,008,648</u>	\$ <u>17,134,930</u>	\$ <u>12,042,326</u>

See accompanying schedules and notes to the financial statements.

TOWN OF ROCKY MOUNTAIN HOUSE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING TRANSACTIONS		
OPERATING		
Excess Of Revenues Over Expenses	\$ 6,604,599	\$ 5,086,246
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	3,299,771	3,413,908
(Gain) loss on sale of investments	265,076	109,855
Non-cash charges to operations (net change):		
Decrease (increase) in taxes receivable	50,069	95,703
Decrease (increase) in trade and other receivables	(3,486,105)	(885,813)
Decrease (increase) in inventory for consumption	(8,223)	132,333
Decrease (increase) in prepaid expenses	(1,031)	232,899
Decrease (increase) in long term receivables	(483,999)	(1,243,968)
Increase (decrease) in accounts payable and accrued liabilities	(8,844)	14,958
Increase (decrease) in deferred revenue	4,724,056	(337,119)
Increase (decrease) in security deposits	(27,905)	23,008
Increase (decrease) in landfill closure and post-closure costs	<u>1,116,183</u>	<u>-</u>
Cash provided by operating transactions	<u>12,043,647</u>	<u>6,642,010</u>
CAPITAL		
Purchase of tangible capital assets	(5,982,676)	(2,693,633)
Acquisition of construction-in-progress	736,088	(4,381,433)
Proceeds on sale of tangible capital assets	<u>179,000</u>	<u>73,000</u>
Cash applied to capital transactions	<u>(5,067,588)</u>	<u>(7,002,066)</u>
FINANCING		
Long-term debt issued	-	1,824,000
Long-term debt repaid	(830,168)	(752,496)
Proceeds from demand loans	<u>1,596,511</u>	<u>-</u>
Cash provided by financing transactions	<u>766,343</u>	<u>1,071,504</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	7,742,402	711,448
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>18,364,024</u>	<u>17,652,576</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 26,106,426</u>	<u>\$ 18,364,024</u>

For distribution of cash and cash equivalents, see Note 2.

See accompanying schedules and notes to the financial statements.

TOWN OF ROCKY MOUNTAIN HOUSE

**CONSOLIDATED SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2021
SCHEDULE 1**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021 TOTAL	2020 TOTAL
BALANCE, BEGINNING OF YEAR	<u>\$ 2,750,314</u>	<u>\$ 15,114,997</u>	<u>\$ 88,010,149</u>	<u>\$ 105,875,460</u>	<u>\$ 100,789,214</u>
Excess Of Revenues Over Expenses	6,604,599	-	-	6,604,599	5,086,246
Restricted funds used for operations	143,262	(143,262)	-	-	-
Unrestricted funds designated for future use	(5,983,492)	5,983,492	-	-	-
Restricted funds used for tangible capital assets	-	(1,159,149)	1,159,149	-	-
Funds used for tangible capital assets	(4,087,439)	-	4,087,439	-	-
Disposal of tangible capital assets	444,076	-	(444,076)	-	-
Annual amortization expense	3,299,771	-	(3,299,771)	-	-
Capital long-term debt repaid	(784,592)	-	784,592	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Change in accumulated surplus	<u>(363,815)</u>	<u>4,681,081</u>	<u>2,287,333</u>	<u>6,604,599</u>	<u>5,086,246</u>
BALANCE, END OF YEAR	<u>\$ 2,386,499</u>	<u>\$ 19,796,078</u>	<u>\$ 90,297,482</u>	<u>\$ 112,480,059</u>	<u>\$ 105,875,460</u>

**TOWN OF ROCKY MOUNTAIN HOUSE
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
SCHEDULE 2**

	<u>Land</u>	<u>Land Improvement</u>	<u>Buildings</u>	<u>Engineering structures</u>	<u>Machinery and equipment</u>	<u>Vehicles</u>	<u>2021 TOTAL</u>	<u>2020 TOTAL</u>
COST								
BALANCE, BEGINNING OF YEAR	\$ 6,108,604	\$ 8,021,508	\$ 28,251,209	\$ 102,017,032	\$ 8,076,400	\$ 3,072,964	\$ 155,547,717	\$ 148,701,211
Acquisition of tangible capital assets	-	1,462,594	119,519	4,071,575	328,988	-	5,982,676	2,887,140
Construction-in-progress	-	-	-	(736,088)	-	-	(736,088)	4,381,433
Disposal of tangible capital assets	<u>(321,845)</u>	<u>-</u>	<u>(163,559)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(485,404)</u>	<u>(422,067)</u>
BALANCE, END OF YEAR	<u>\$ 5,786,759</u>	<u>\$ 9,484,102</u>	<u>\$ 28,207,169</u>	<u>\$ 105,352,519</u>	<u>\$ 8,405,388</u>	<u>\$ 3,072,964</u>	<u>\$ 160,308,901</u>	<u>\$ 155,547,717</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	\$ -	\$ 5,701,734	\$ 7,556,239	\$ 42,585,839	\$ 3,949,110	\$ 2,047,210	\$ 61,840,132	\$ 58,471,928
Annual Amortization	-	197,395	586,915	1,993,754	384,685	137,022	3,299,771	3,413,908
Accumulated amortization on disposals	<u>-</u>	<u>-</u>	<u>(41,330)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,330)</u>	<u>(45,704)</u>
BALANCE, END OF YEAR	<u>-</u>	<u>5,899,129</u>	<u>8,101,824</u>	<u>44,579,593</u>	<u>4,333,795</u>	<u>2,184,232</u>	<u>65,098,573</u>	<u>61,840,132</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 5,786,759</u>	<u>\$ 3,584,973</u>	<u>\$ 20,105,345</u>	<u>\$ 60,772,926</u>	<u>\$ 4,071,593</u>	<u>\$ 888,732</u>	<u>\$ 95,210,328</u>	<u>\$ 93,707,585</u>

TOWN OF ROCKY MOUNTAIN HOUSE

**CONSOLIDATED SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2021
SCHEDULE 3**

	Budget (Unaudited)	2021	2020
TAXATION			
Residential land and improvements	\$ 8,168,798	\$ 8,151,748	\$ 8,121,365
Land and improvements (Excluding M&E)	3,587,769	3,507,242	3,516,122
Linear property	161,000	170,269	161,994
Machinery and equipment	2,740	2,824	2,740
Farm land	770	831	772
Federal Government taxes in lieu	17,500	18,784	18,841
Provincial Government taxes in lieu	50,000	62,435	115,632
	<u>11,988,577</u>	<u>11,914,133</u>	<u>11,937,466</u>
REQUISITIONS			
Alberta School Foundation Fund	2,718,782	2,699,508	2,665,246
Westview Lodge	83,340	86,511	81,740
	<u>2,802,122</u>	<u>2,786,019</u>	<u>2,746,986</u>
NET MUNICIPAL TAXES	<u>\$ 9,186,455</u>	<u>\$ 9,128,114</u>	<u>\$ 9,190,480</u>

TOWN OF ROCKY MOUNTAIN HOUSE

**CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2021
SCHEDULE 4**

	Budget (Unaudited)	2021	2020
TRANSFERS FOR OPERATING			
Other Local Governments	\$ 1,749,596	\$ 1,987,401	\$ 1,688,754
Provincial Government	997,143	1,774,545	1,614,382
Federal Government	-	15,750	12,600
	<u>2,746,739</u>	<u>3,777,696</u>	<u>3,315,736</u>
TRANSFERS FOR CAPITAL			
Other Local Governments	435,200	49,598	1,190,123
Provincial Government	6,162,571	3,098,502	2,876,403
Federal Government	-	184,246	-
	<u>6,597,771</u>	<u>3,332,346</u>	<u>4,066,526</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 9,344,510</u>	<u>\$ 7,110,042</u>	<u>\$ 7,382,262</u>

TOWN OF ROCKY MOUNTAIN HOUSE

**SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2021
SCHEDULE 5**

CONSOLIDATED EXPENSES BY OBJECT	Budget (Unaudited)	2021	2020
Salaries, wages and benefits	\$ 7,640,766	\$ 7,092,947	\$ 6,976,435
Contracted and general services	7,578,524	5,754,485	4,515,768
Materials, goods and utilities	66,580	1,914,356	1,615,721
Bank charges and short term interest	20,500	12,169	12,330
Interest on long-term debt	198,835	194,270	202,940
Provision for Allowances	-	125,769	6,930
Transfers to local boards and organizations	2,360,010	2,109,561	2,693,231
Amortization of tangible capital assets	<u>3,175,600</u>	<u>3,299,771</u>	<u>3,413,908</u>
	\$ <u>21,040,815</u>	\$ <u>20,503,328</u>	\$ <u>19,437,263</u>

TOWN OF ROCKY MOUNTAIN HOUSE

**CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2021
SCHEDULE 6**

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation Services</u>	<u>Planning & Development</u>	<u>Recreation & Culture</u>	<u>Environmental Services</u>	<u>Other</u>	<u>TOTAL</u>
REVENUE								
Net municipal taxes	\$ 9,128,114	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,128,114
Government transfers	794,823	734,405	2,630,031	65,872	1,963,642	218,293	702,976	7,110,042
User fees and sales of goods	41,834	-	21,123	22,752	229,229	4,859,888	44,028	5,218,854
Investment Income	153,835	-	-	-	-	-	-	153,835
Other	<u>1,218,603</u>	<u>104,896</u>	<u>106,329</u>	<u>403,441</u>	<u>395,367</u>	<u>3,467,800</u>	<u>65,722</u>	<u>5,762,158</u>
	<u>\$ 11,337,209</u>	<u>\$ 839,301</u>	<u>\$ 2,757,483</u>	<u>\$ 492,065</u>	<u>\$ 2,588,238</u>	<u>\$ 8,545,981</u>	<u>\$ 812,726</u>	<u>\$ 27,373,003</u>
EXPENSES								
Contracted & general services	\$ 692,814	\$ 2,268,576	\$ 395,704	\$ 212,773	\$ 292,198	\$ 1,811,349	\$ 81,071	\$ 5,754,485
Salaries & wages	1,513,857	1,022,420	847,176	553,320	1,938,810	970,000	247,364	7,092,947
Goods & supplies	(222,946)	47,396	667,733	43,116	620,791	729,085	29,181	1,914,356
Transfers to local boards	187,093	622,234	303,371	71,686	481,619	95,000	348,558	2,109,561
Interest expense & bank charges	28,286	-	38,779	8,518	37,954	92,902	-	206,439
Other expenses	<u>125,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>265,076</u>	<u>390,845</u>
	<u>2,324,873</u>	<u>3,960,626</u>	<u>2,252,763</u>	<u>889,413</u>	<u>3,371,372</u>	<u>3,698,336</u>	<u>971,250</u>	<u>17,468,633</u>
NET REVENUE, BEFORE AMORTIZATION	9,012,336	(3,121,325)	504,720	(397,348)	(783,134)	4,847,645	(158,524)	9,904,370
Amortization Expense	<u>(30,676)</u>	<u>(84,147)</u>	<u>(1,209,458)</u>	<u>(31,498)</u>	<u>(939,128)</u>	<u>(1,002,882)</u>	<u>(1,982)</u>	<u>(3,299,771)</u>
NET REVENUE	<u>\$ 8,981,660</u>	<u>\$ (3,205,472)</u>	<u>\$ (704,738)</u>	<u>\$ (428,846)</u>	<u>\$ (1,722,262)</u>	<u>\$ 3,844,763</u>	<u>\$ (160,506)</u>	<u>\$ 6,604,599</u>

TOWN OF ROCKY MOUNTAIN HOUSE

**CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE PREVIOUS YEAR ENDED DECEMBER 31, 2020
SCHEDULE 6**

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation Services</u>	<u>Planning & Development</u>	<u>Recreation & Culture</u>	<u>Environmental Services</u>	<u>Other</u>	<u>TOTAL</u>
REVENUE								
Net municipal taxes	\$ 9,190,480	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,190,480
Government transfers	226,452	704,976	2,700,397	87,370	2,942,023	-	721,044	7,382,262
User fees and sales of goods	44,951	-	16,464	25,109	249,462	4,846,676	30,168	5,212,830
Investment Income	203,732	-	-	-	-	-	-	203,732
Other	<u>1,176,591</u>	<u>130,781</u>	<u>99,576</u>	<u>317,451</u>	<u>828,903</u>	<u>21,000</u>	<u>69,758</u>	<u>2,644,060</u>
	<u>\$ 10,842,206</u>	<u>\$ 835,757</u>	<u>\$ 2,816,437</u>	<u>\$ 429,930</u>	<u>\$ 4,020,388</u>	<u>\$ 4,867,676</u>	<u>\$ 820,970</u>	<u>\$ 24,633,364</u>
EXPENSES								
Contracted & general services	\$ 644,893	\$ 1,804,464	\$ 565,612	\$ 280,733	\$ 395,252	\$ 728,479	\$ 95,075	\$ 4,514,508
Salaries & wages	1,409,951	750,342	811,546	559,883	2,200,048	1,004,833	239,833	6,976,436
Goods & supplies	(252,567)	48,666	725,994	56,657	532,035	488,496	17,701	1,616,982
Transfers to local boards	79,064	555,137	5,500	60,802	410,737	1,201,960	380,030	2,693,230
Interest expense & bank charges	37,122	-	24,284	10,344	47,805	102,644	-	222,199
Other expenses	109,855	-	-	-	-	-	-	109,855
	<u>2,028,318</u>	<u>3,158,609</u>	<u>2,132,936</u>	<u>968,419</u>	<u>3,585,877</u>	<u>3,526,412</u>	<u>732,639</u>	<u>16,133,210</u>
NET REVENUE, BEFORE AMORTIZATION	8,813,888	(2,322,852)	683,501	(538,489)	434,511	1,341,264	88,331	8,500,154
Amortization Expense	<u>(63,647)</u>	<u>(105,991)</u>	<u>(1,248,795)</u>	<u>(34,769)</u>	<u>(962,497)</u>	<u>(996,228)</u>	<u>(1,981)</u>	<u>(3,413,908)</u>
NET REVENUE	<u>\$ 8,750,241</u>	<u>\$ (2,428,843)</u>	<u>\$ (565,294)</u>	<u>\$ (573,258)</u>	<u>\$ (527,986)</u>	<u>\$ 345,036</u>	<u>\$ 86,350</u>	<u>\$ 5,086,246</u>

TOWN OF ROCKY MOUNTAIN HOUSE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

The Town of Rocky Mountain House (the Town) is a municipality in the Province of Alberta, Canada and operates under the provisions of the *Municipal Government Act*, R.S.A., 2000, c. M-26, as amended (MGA).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements (the financial statements) of the Town 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 Town are as follows:

(a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenses, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of municipal operations plus all the organizations that are owned or controlled by the Town and are, therefore, accountable to the Town Council for the administration of their financial affairs and resources.

Included in these financial statements are fifty percent of the Rocky Mountain House Municipal Airport assets, liabilities, revenues and expenses.

The schedule of taxes levied also includes operating 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.

TOWN OF ROCKY MOUNTAIN HOUSE**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(c) Use of Estimates**

The preparation of the financial statements in conformity with Canadian public sector accounting principles requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Where estimation uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from estimates. The amounts recorded for valuation of tangible capital assets, post non-vesting employee benefit liabilities, post closure costs, contingent liabilities and commitments are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the financial statements.

(d) Cash and temporary investments

Cash and temporary investments include items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have a maturity of three months or less at acquisition.

(e) Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt, less actuarial requirements for retirement of any sinking fund debentures.

(f) Long-term Receivables

Long-term receivables are initially measured at cost with valuation allowances subsequently used to reflect loans receivable at the lower of cost and net recoverable value. Changes in valuation allowances are recognized as expenses in the statement of operations. Interest revenue is recognized when earned, to the extent the collectibility of the loan and interest is reasonably assured.

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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.

(h) Land for Resale Inventory

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

(i) Revenue

The Town follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Property tax revenue is based on market value assessments determined in accordance with the *Municipal Government Act*. Tax rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal.

User fees and sales of goods are recognized in the period in which the goods are provided, or the services are rendered. Revenues from sponsorships are recognized over the terms of the sponsorship agreements. Rental revenue is recognized in the relevant tenancy period.

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

Investment income is recorded as revenue in the period earned. When required by the funding government or related act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

Requisitions operate as a flow through and are excluded from municipal revenue.

TOWN OF ROCKY MOUNTAIN HOUSE**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(j) 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 borrowings. These levies are collectible 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.

(k) Employment benefits liabilities

The Town recognizes liabilities for post-employment benefits and compensated absences that vest or accumulate during the period in which the employment services are rendered, assuming payment of benefits is probable and the amounts can be reasonably estimated. Accumulating, vesting benefits liabilities are measured at cost. Accumulating, non-vesting benefits liabilities are recognized at cost to the extent they are expected to be used by employees.

(l) Pension

The Town participates in a multi-employer defined benefit pension plan. Contributions for current and past service pension benefits are recorded as expenses in the year in which they become due. See Note 20 for details of the pension plan.

(m) 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.

TOWN OF ROCKY MOUNTAIN HOUSE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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:

Land Improvements	-	15-20 years
Buildings	-	25-50
Engineered structures		
Water System	-	35-75
Wastewater System	-	35-75
Other engineered structures	-	15-40
Machinery and equipment	-	5-20
Vehicles	-	10-25

No amortization is charged in the year of acquisition and a full year of amortization is taken 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.

(iv) Inventories

Inventories held for consumption are recorded at the lower of cost determined on a specific identification basis and net realizable value.

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. A liability for remediation of a contaminated site is recognized when the town is either directly responsible or accepts responsibility and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

(p) Landfill and Post-Closure Liability

Pursuant to an agreement and the Alberta Environmental Protection and Enhancement Act, the Town is required to fund the closure of 34.5% of a landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection.

(q) Cash Flow Reporting

The Town follows the indirect method in reporting its cash flows from operating activities.

2. CASH AND TEMPORARY INVESTMENTS

	2021	2020
Cash	<u>\$ 26,106,426</u>	<u>\$ 18,364,024</u>

Cash includes amounts held in a chequing bank account earning interest at graduated rates ranging from the bank's prime rate less 1.90% - 1.45% (2020 - 1.90% to 1.55%) per annum. Effective rate at year end is 0.55% - 1.0% (2020 - 0.50% - 0.90%) per annum. Cash also includes amounts held in a savings account earning interest at 0.90% (2020 - 0.50%) per annum.

3. TAXES RECEIVABLE

	2021	2020
Current taxes	\$ 296,616	\$ 290,091
Arrears taxes	<u>42,461</u>	<u>99,055</u>
	<u>\$ 339,077</u>	<u>\$ 389,146</u>

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

4. TRADE AND OTHER RECEIVABLES

	2021	2020
Other trade receivables	\$ 643,108	\$ 446,098
School under-levy	1,170	3,113
Utilities receivable	608,730	534,063
Government grants for operating costs	680,242	335,238
Government grants for capital costs	1,464,031	2,670,531
Other receivable for capital costs (Note 15)	551,600	335,239
Receivable on dissolution of the Regional Waste Authority	4,188,696	-
Allowance for doubtful accounts	<u>(218,994)</u>	<u>(148,661)</u>
	<u>\$ 7,918,584</u>	<u>\$ 4,432,482</u>

5. LONG TERM RECEIVABLE

Long term receivables consist of amounts owed to the Town for the developer's portion of costs relating to a long-term construction project. The amount is receivable with interest. Effective interest at December 31, 2021 is 3.45%. The amount is due at the later of the following dates: May 1, 2024 or four years after the issuance of a construction completion certificate.

6. BANK DEMAND LOAN

To fund the 54 street construction project, The Town has a revolving demand loan available to a maximum of \$2,390,000 payable on demand, bearing interest at prime plus 1.0% per annum, secured by a general security agreement covering all assets of the Town. At December 31, 2021 \$1,596,511 (2020 - \$-) was borrowed against this loan. Annual interest payments are required to be made twelve months after the first advance, with periodic principal payments to be made from receipt of grant funds earmarked for this project.

This loan is associated with the long term receivable described in note 5.

The total cash payments for interest on the bank demand loan paid in 2021 was \$19,755 (2020 - \$-).

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021**7. EMPLOYEE BENEFIT OBLIGATIONS**

Included in accounts payable and accrued liabilities are employee benefits totaling:

	2021	2020
Bank time	\$ 5,283	\$ 9,978
Vacation and incentive time	268,881	225,089
Personal time	<u>109,469</u>	<u>174,861</u>
	<u>\$ 383,633</u>	<u>\$ 409,928</u>

Vacation and incentive time

The vacation and bank time liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

Personal time

The personal time liability is management's estimate of the cost of sick time that has accrued to employees and will be taken in future years as paid time off. Employees can accrue and carryover up to 320 hours (2020 - 320 hours) of sick time but are not entitled to pay-in-lieu of unused sick time upon termination of their employment. Management expects that 35% (2020 -34%) of the accrued sick hours will be used.

8. SECURITY DEPOSITS

Security deposits consist of financial deposits for private development, rental deposits and deposits on utility accounts.

Private development deposits are held by the Town to ensure that the development has been completed to the required specifications. Deposits are for items such as landscaping, fencing, paving and service connections.

Rental deposits are held by the Town to ensure that rental spaces and properties are left clean and in good repair after the rental period.

Utility account deposits are for rental properties where utility bills are in the tenant's name. Utility deposits are for unpaid utilities.

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

9. DEFERRED REVENUE

Inflows and outflows of restricted resources during the year were as follows:

	Balance 2020	Increases	Decreases	Balance 2021
Prepaid local improvements	\$ 43,838	\$ -	\$ (8,768)	\$ 35,070
Deferred projects	87,057	59,582	(2,239)	144,400
Deferred operating revenue	842,733	360,226	(593,748)	609,211
Deferred capital grants	<u>2,950,193</u>	<u>8,495,123</u>	<u>(3,586,120)</u>	<u>7,859,196</u>
	<u>\$ 3,923,821</u>	<u>\$ 8,914,931</u>	<u>\$ (4,190,875)</u>	<u>\$ 8,647,877</u>

Prepaid local improvement charges are being amortized to revenue over the useful life of the corresponding debentures with a term of 5 years.

Deferred projects are funds received in advance for specific projects and will be recognized as operating revenue or capital revenue in the year the expenditure occurs.

Deferred operating revenue relates to monies received for goods or services which have not yet been delivered, and will be recognized as revenues when provision of the goods or services is completed.

Deferred capital grants relate to government and other funding received for specific capital projects that are not yet completed, and will be recognized as revenues when the projects are completed in the case of government grants, or on the same basis as the capital asset is amortized in the case of other contributions. Deferred capital grants is comprised of:

	Balance 2020	Increases	Decreases	Balance 2021
Municipal Sustainability Initiative Grant	\$ 1,502,581	\$ 1,792,034	\$ (1,433,303)	\$ 1,861,312
Federal Gas Tax Fund	288,853	776,883	(1,113,000)	(47,264)
Municipal Stimulus Program Grant	100,000	689,892	(696,368)	93,524
Gruber Street Light Reserve	13,188	-	-	13,188
Investing in Canada Infrastructure Program - Provincial Grant	-	5,044,868	(152,003)	4,892,865
Investing in Canada Infrastructure Program - Federal Grant	-	184,246	(184,246)	-
Other Provincial Government Grants	-	7,200	(7,200)	-
Shell Canada donation	1,000,000	-	-	1,000,000
Other deferred capital revenues	<u>45,571</u>	<u>-</u>	<u>-</u>	<u>45,571</u>
	<u>\$ 2,950,193</u>	<u>\$ 8,495,123</u>	<u>\$ (3,586,120)</u>	<u>\$ 7,859,196</u>

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

10. LONG TERM DEBT

	2021	2020
Tax supported debentures	\$ 2,673,414	\$ 2,998,271
Self supported debentures	<u>2,715,581</u>	<u>3,220,892</u>
	<u>\$ 5,388,995</u>	<u>\$ 6,219,163</u>

The current portion of the long-term debt amounts are \$856,977 (2020 - \$830,168).

Principal and interest repayments are due as follows:

	PRINCIPAL	INTEREST	TOTAL
2022	\$ 856,977	\$ 171,256	\$ 1,028,233
2023	884,737	143,495	1,028,232
2024	700,281	114,748	815,029
2025	468,086	93,041	561,127
2026	444,605	75,825	520,430
Thereafter	<u>2,034,309</u>	<u>173,509</u>	<u>2,207,818</u>
	<u>\$ 5,388,995</u>	<u>\$ 771,874</u>	<u>\$ 6,160,869</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.03% to 4.91% per annum and mature in periods 2025 through 2035. The average annual interest rate is 3.91% (2020 - 4.20%).

Debenture debt is issued on the credit and security of the Town of Rocky Mountain House at large.

The total cash payments for interest on debenture debts paid in 2021 were \$198,065 (2020 - \$204,890).

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021**11. LANDFILL CLOSURE AND POST CLOSURE COSTS**

Pursuant to an agreement the Town has accepted partial responsibility for a post closure liability. The Town has agreed to fund 34.5% of future closure and post closure costs of a landfill.

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 25 years after closure using a discount rate of 3.46% and assuming annual inflation of 2.00%.

The accrued liability portion is based on the cumulative capacity used at year end compared the the estimated total landfill capacity. The total capacity of the site is estimated at 2.305 million cubic metres. The estimated used capacity of the landfill site is 2.305 million cubic metres. There is no estimated remaining life in years.

Post closure care is estimated to be required until 2061.

12. 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 Town of Rocky Mountain House be disclosed as follows:

	2021	2020
Total Debt Limit	\$ 30,910,917	\$ 30,850,257
Total debt	<u>5,388,995</u>	<u>6,219,163</u>
Amount of debt limit unused	<u>\$ 25,521,922</u>	<u>\$ 24,631,094</u>
Debt servicing limit	\$ 5,151,820	\$ 5,141,710
Debt servicing	<u>2,624,744</u>	<u>1,028,233</u>
Amount of debt servicing limit unused	<u>\$ 2,527,076</u>	<u>\$ 4,113,477</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.

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	2021	2020
Capital Assets (Schedule 2)	\$ 160,308,901	\$ 155,547,717
Accumulated amortization (Schedule 2)	(65,098,573)	(61,840,132)
Long-term debt (Note 10)	(5,388,995)	(6,219,163)
Long-term operating debt	<u>476,149</u>	<u>521,727</u>
	<u>\$ 90,297,482</u>	<u>\$ 88,010,149</u>

14. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2021	2020
Unrestricted surplus	\$ 2,386,499	\$ 2,750,314
Restricted surplus	-	-
Capital Reserves	12,672,569	9,258,715
Utility Reserves	6,640,290	5,401,345
Offsite Levy Reserves	483,219	454,937
Equity in tangible capital assets (Note 13)	<u>90,297,482</u>	<u>88,010,149</u>
	<u>\$ 112,480,059</u>	<u>\$ 105,875,460</u>

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021**15. CONTRACTUAL RIGHTS, CONTRACTUAL OBLIGATIONS AND CONTINGENCIES**

In 2014 the Town entered into a financial contribution agreement with the Rocky Curling Club (the "Club") whereby the Club agreed to contribute a total of \$1,500,000 toward renovations to the curling rink building. In 2018 the Town also advanced the Club \$37,100 for exterior renovations. The balance receivable is measured at cost. Annual payments are due in November of each year. There are no terms regarding interest, forgiveness nor security. In 2020, the annual receipt from the curling club was deferred. Subsequent to year end, this agreement was extended to a 15 year period. The Future receipts under this agreement are detailed in the table below. Pursuant to a cost sharing agreement, Clearwater County will pay 50% of any amounts defaulted by the Club.

2022	\$	39,400
2023		39,400
2024		39,400
2025		39,400
2026		39,400
Thereafter		<u>354,600</u>
	\$	<u><u>551,600</u></u>

On January 1, 2021 a new agreement between the Town and Clearwater County was signed for the period January 1, 2021 to December 31, 2025. The County committed to make annual payments to the Town calculated as (Town Service Property Tax - County Service Property Tax) x County percentage. In 2021 the payment is \$406,644.

In 2010, the Town and County as joint landlords entered into a triple net lease agreement for the lease of a municipally owned building. The monthly payment of \$9,243 is shared 50% between the Town and County. The Town's share of the monthly lease payment is \$4,621. Estimated maximum future receipts under this agreement are:

2022	\$	55,458
2023		55,458
2024		55,458
2025		<u>27,729</u>
	\$	<u><u>194,103</u></u>

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

15. CONTRACTUAL RIGHTS, CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

(Continued)

Contractual Obligations**RCMP Contract**

On April 1, 2012 the Town entered into an agreement with the Government of Canada for the employment of the Royal Canadian Mounted Police to provide policing services during the term of the agreement which ends March 31, 2032. The policing services expenses for 2021 are \$2,904,504. (In 2020 the Town recognized \$2,048,067). The Town received Provincial grants to assist with the cost sharing in the amount of \$353,313. (In 2020 the Town recognized \$353,080).

Land Development

The Town has entered into an agreement to develop a parcel of land. The total project is estimated to cost \$4,025,580. The Town has agreed to contribute 46% of total expenditures. As of December 31, 2021, the Town's portion of expenditures made is \$1,712,515 (2020 - \$1,144,861). The Town's portion of estimated future expenditures is \$139,353 (2020 - \$424,192). The project is anticipated to be completed in 2022.

Contingencies**RCMP Retroactive Pay**

As part of a collective agreement with the National Police Federation the Town has an obligation to make a retroactive payment for the fiscal years from 2017-2021. Management has estimated this liability as \$402,000 and an accrual has been included in these financial statements. The Town is exposed to liability in excess of this amount up to \$20,000.

Lawsuits

From time to time, the Town is a defendant in various lawsuits. When the outcome of a claim against the Town is considered likely to result in a loss and the amount of the loss can be reasonably estimated, accrued liabilities have been recorded. When the resulting potential losses, if any, cannot be determined or the occurrence of future contingent events is unknown, accrued liabilities have not been recorded.

16. TRUST FUNDS

The Town of Rocky Mountain House administers the following trust:

	2021	2020
Cemetery Perpetual Care		
Balance, beginning of year	\$ 76,922	\$ 70,825
Sale of cemetery plots	7,400	5,400
Repurchase of cemetery plots	(240)	(209)
Interest	515	906
Balance, end of year	<u>\$ 84,597</u>	<u>\$ 76,922</u>

17. CONTAMINATED SITES LIABILITY

The Town has adopted PS 3260 Liability for Contaminated Sites. The Town did not identify any financial liabilities in 2021 (2020 - nil) as a result of this standard.

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

18. SALARY & 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:

COUNCILORS	2021			2020
	HONORARIUM SALARY ¹	BENEFITS & ALLOWANCES ²	TOTAL	TOTAL
Jason Alderson	\$ 2,385	\$ 200	\$ 2,585	\$ 36,561
David Auld	26,465	2,386	28,851	27,829
Debbie Baich	11,602	600	12,202	-
Shane Boniface	4,718	414	5,132	-
Randy Brown	20,636	1,911	22,547	33,362
Tammy Burke	43,778	2,227	46,005	59,832
Marley Capraro	5,973	483	6,456	-
Merrin Fraser	32,015	2,689	34,704	34,511
Tina Hutchinson	7,994	593	8,587	-
Michelle Narang	21,581	2,163	23,744	32,423
Len Phillips	33,625	2,776	36,401	33,667
	<u>\$ 210,772</u>	<u>\$ 16,442</u>	<u>\$ 227,214</u>	<u>\$ 258,185</u>
CAO - Dean Krause	<u>\$ 189,726</u>	<u>\$ 33,364</u>	<u>\$ 223,090</u>	<u>\$ 220,572</u>

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, compensated absences and any other direct cash remuneration.
2. Benefits for Council include a communication benefit for cell phones, internet and CPP deductions. Benefits for the CAO includes 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.

19. RELATED PARTY TRANSACTIONS

Prior to the dissolution noted in note 21, the Town of Rocky Mountain House was related to the Rocky Mountain Regional Solid Waste Authority by having two of six board members in common. During the year, fees for services were paid to the Rocky Mountain Regional Solid Waste Authority in the amount of Nil. (In 2020 the Town recognized \$1,011,960).

As at December 31, 2021 included in accounts payable is Nil (2020 - \$1,023,089) due to the Rocky Mountain Regional Solid Waste Authority.

As at December 31, 2021 included in accounts receivable is \$4,188,696 (2020 - nil).

TOWN OF ROCKY MOUNTAIN HOUSE**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021****20. LOCAL AUTHORITIES PENSION PLAN**

Employees of the Town of Rocky Mountain House participate in the Local Authorities Pension Plan (LAPP), which is covered by the *Alberta Public Sector Plans Act*. The Plan serves about 274,151 people and about 420 employers. It is financed by the employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Town is required to make current and past service contributions to the LAPP of 9.39% (2020 - 9.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (2020 - 13.84%) on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 8.39% (2020 - 8.39%) of pensionable salary up to the year's maximum pensionable salary and 12.84% (2020 - 12.84%) on pensionable salary above this amount.

Total current and past service contributions by the Town to the Local Authorities Pension Plan in 2021 were \$466,634 (2020 - \$465,514). Total current and past service contributions by the employees of the Town to the Local Authorities Pension Plan in 2021 were \$420,267 (2020 - \$414,150).

At December 31, 2021 the LAPP disclosed an actuarial surplus of \$11.9 billion (2020 - \$4.9 billion surplus).

21. THE ROCKY MOUNTAIN REGIONAL SOLID WASTE AUTHORITY

Members of the Rocky Mountain Regional Solid Waste Authority (the Waste Authority). The Town of Rocky Mountain House, Clearwater County and the Village of Caroline were party to an agreement that dissolved the Waste Authority. Effective January 1, 2021 operations ceased.

As a result of the dissolution, the Town is entitled to receive a proportionate share of the residual assets and liabilities of the Authority. The Town has also undertaken responsibility for the solid waste collection and recycling for the residents of the Town of Rocky Mountain House.

The Town has received tangible capital assets consisting of land, machinery and buildings valued at \$360,865. The Town has accepted a post closure liability of \$1,116,183 representing 34.5% of the estimated post closure costs for a landfill. A receivable of \$4,188,696 has been recorded, consisting of the cash distribution that the Town expects to receive upon final settlement of the dissolution.

A gain on the dissolution of the Waste Authority of \$3,433,379 has been recorded in these financial statements.

TOWN OF ROCKY MOUNTAIN HOUSE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

22. SEGMENTED DISCLOSURE

The Town of Rocky Mountain House provides a range of services to its ratepayers. 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.

Refer to the Schedule of Segmented Disclosure (schedule 6).

General government includes council and other legislative, and general administration. Protective services includes bylaw enforcement, police and fire. Transportation includes roads, streets, walks and lighting. Planning and development includes land use planning, zoning and subdivision land and development. Public health and welfare includes family and community support. Recreation and culture includes parks and recreation, libraries, museums and halls. Environmental use and protection includes water supply and distribution, wastewater treatment and disposal, and waste management.

23. BUDGET RECONCILIATION

The budget information presented in these consolidated financial statements is based on the operating and capital budgets approved by the Town of Rocky Mountain House council on December 8, 2020.

The reconciliation below reconciles the approved financial plan to the figures reported in these consolidated financial statements.

Operating deficit per financial statements	\$ (499,149)
Gain on disposal of tangible capital assets	252,600
Government transfers for capital	<u>6,597,771</u>
Income per Financial Statements	6,351,222
Amortization	3,175,600
Acquisitions of tangible capital assets	(10,307,900)
Proceeds on long term debt	970,000
Other contributions for capital	159,550
Repayment of long term debt	(830,166)
Gain on disposal of tangible capital assets	(252,600)
Transfers to reserves - operating	(1,846,287)
Transfers from reserves - capital	<u>2,580,581</u>
	<u>\$ -</u>

24. COMPARATIVE FIGURES

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

TOWN OF ROCKY MOUNTAIN HOUSE**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021****25. FINANCIAL INSTRUMENTS**

The Town of Rocky Mountain House's financial instruments include cash and temporary investments, taxes receivable, trade and other receivables, accounts payable and accrued liabilities, accounts payable - tangible capital assets, and long term debt. Transacting in financial instruments exposes the Town to certain financial risks and uncertainties. These risks include:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge its obligations. The Town is exposed to some credit risk due to the possibility that taxpayers and entities to which the town provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the Town's exposure to credit risk. The Town is exposed to some possible credit risk due to the concentration of credit to the extent that 87% of the amounts receivable is due from four entities (2020 - 75%; three entities).

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Town manages liquidity risk by maintaining a line of credit that is available when needed and continuously monitoring cash flows. It is management's opinion that the town is not subject to liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Town does not transact in foreign currencies.

Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Town is exposed to interest rate risk to the extent that the carrying value of some cash and long-term debts are at fixed rates of interest. The Town is exposed to interest rate risk to the extent that some cash and cash equivalents, revolving operating loan and bank demand loan have floating interest rates, which if the rate changes would affect future cash flows.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The town does not have significant exposure to other price risk.

TOWN OF ROCKY MOUNTAIN HOUSE**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021****26. BUDGET AMOUNTS**

The budget amounts included in these financial statements have not been audited; accordingly no assurance is expressed thereon.

27. APPROVAL OF FINANCIAL STATEMENTS

These financial statements are approved by Council and management October 19, 2022.