

TOWN OF ROCKY MOUNTAIN HOUSE
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019



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, 2019 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 judgements. 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.

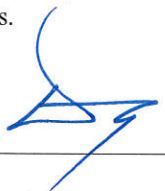
In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable 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 Wade Noble & Partners 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.



Dean Krause
Chief Administrative Officer



Betty Quinlan
Director of Corporate Services



WADE NOBLE & PARTNERS LLP

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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, 2019, 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, 2019, 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.

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.

INDEPENDENT AUDITORS' REPORT (Continued)

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 judgement 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

We also provide Council with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable related safeguards.

Wade Noble & Partners LLP

Rocky Mountain House, Alberta
April 30, 2020

Chartered Accountants

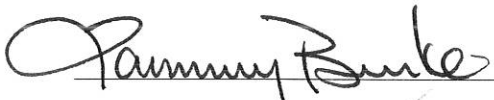
TOWN OF ROCKY MOUNTAIN HOUSE

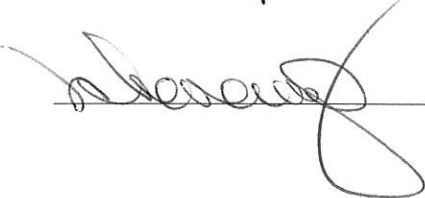
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 17,641,579	\$ 14,657,241
Receivables		
Taxes receivable (Note 3)	484,849	528,047
Trade and other receivables (Note 4)	3,504,623	5,224,694
GST receivable	42,046	231,716
Land for resale inventory	<u>1,623,434</u>	<u>1,623,434</u>
	<u>23,296,531</u>	<u>22,265,132</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,263,806	\$ 2,292,316
Accounts payable - tangible capital assets	791,030	128,465
Employee benefit obligations (Note 5)	569,138	468,085
Payroll remittances payable	40,517	39,625
Security deposits (Note 6)	165,286	240,922
Deferred revenue (Note 7)	4,249,943	4,920,013
Long term debt (Note 8)	<u>5,147,659</u>	<u>5,959,856</u>
	<u>13,227,379</u>	<u>14,049,282</u>
NET FINANCIAL ASSETS	<u>10,069,152</u>	<u>8,215,850</u>
NON - FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	88,071,818	86,081,981
Tangible capital assets construction in progress (Schedule 2)	2,157,465	1,631,620
Inventory for consumption	185,536	218,304
Prepaid expenses and deposits	<u>305,243</u>	<u>51,735</u>
	<u>90,720,062</u>	<u>87,983,640</u>
ACCUMULATED SURPLUS (Schedule 1, Note 11)	<u>\$ 100,789,214</u>	<u>\$ 96,199,490</u>

Commitments and Contingencies - See Notes 12, 14, 15, and 16

Approved by Town Council:





See accompanying schedules and notes to the financial statements.

TOWN OF ROCKY MOUNTAIN HOUSE
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
REVENUE			
Net municipal taxes (Schedule 3)	\$ 9,183,803	\$ 9,176,754	\$ 8,925,398
Local improvements	-	85,408	85,408
User fees and sale of goods	5,138,206	5,018,296	4,136,845
Government transfers for operating (Schedule 4)	3,875,028	3,830,869	3,599,759
Investment income	129,300	304,186	199,340
Penalties and costs of taxes	295,700	285,219	316,097
Franchise and concessions	1,092,100	1,194,236	1,111,185
Licenses and permits	144,000	152,194	133,542
Advertising and sponsorships	-	55,692	-
Rentals	758,400	724,667	787,392
Other revenues	<u>1,306,984</u>	<u>632,800</u>	<u>236,112</u>
Total Revenue	<u>21,923,521</u>	<u>21,460,321</u>	<u>19,531,078</u>
EXPENDITURES			
Legislative	358,275	352,170	260,107
Administration	2,395,850	2,230,058	2,181,903
Police	2,413,400	2,099,014	2,157,547
Fire and by-law enforcement	1,188,300	1,000,713	971,183
Common services	1,060,711	1,201,251	848,827
Roads	2,332,485	2,209,817	2,180,534
Airport	334,300	251,869	244,873
Water and wastewater	3,120,640	2,743,621	2,741,366
Waste management	1,457,800	1,318,139	1,313,223
Economic development	544,822	452,919	418,847
Subdivision land development	528,500	630,473	357,497
Recreation and parks	4,199,258	4,553,136	4,543,165
Rentals	82,075	44,943	39,300
Library	366,500	363,088	350,243
Community hall	199,500	198,034	208,093
Public Health	1,080,044	997,321	766,597
Other	116,200	30,431	39,461
Loss (gain) on disposal of tangible capital assets	-	232,023	9,446
Total Expenditures	<u>21,778,660</u>	<u>20,909,020</u>	<u>19,632,212</u>
EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES - BEFORE OTHER	144,861	551,301	(101,134)
OTHER			
Contributed assets	-	18,552	76,906
Government transfers for capital (Schedule 4)	<u>4,634,464</u>	<u>4,019,871</u>	<u>1,500,587</u>
EXCESS OF REVENUES OVER EXPENDITURES	4,779,325	4,589,724	1,476,359
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>96,199,490</u>	<u>96,199,490</u>	<u>94,723,131</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 100,978,815</u>	<u>\$ 100,789,214</u>	<u>\$ 96,199,490</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, 2019

	Budget (Unaudited)	2019	2018
EXCESS OF REVENUES OVER EXPENDITURES	\$ <u>4,779,325</u>	\$ <u>4,589,724</u>	\$ <u>1,476,359</u>
Acquisition of tangible capital assets	(4,765,678)	(5,482,385)	(874,457)
Acquisition of construction-in-progress	-	(525,845)	(1,582,369)
Contributed tangible capital assets	-	(18,552)	(76,906)
Proceeds on disposal of tangible capital assets	-	127,995	73,875
Amortization of tangible capital assets	3,322,900	3,151,082	3,244,693
Loss on disposal of tangible capital assets	-	232,023	35,446
	<u>(1,442,778)</u>	<u>(2,515,682)</u>	<u>820,282</u>
Net use of supplies inventories	-	32,768	3,237
Net acquisition of prepaid assets	-	(253,508)	(26,003)
	<u>-</u>	<u>(220,740)</u>	<u>(22,766)</u>
DECREASE IN NET DEBT	3,336,547	1,853,302	2,273,875
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>8,215,850</u>	<u>8,215,850</u>	<u>5,941,975</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 11,552,397</u>	<u>\$ 10,069,152</u>	<u>\$ 8,215,850</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, 2019**

	2019	2018
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess Of Revenues Over Expenditures	\$ 4,589,724	\$ 1,476,359
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	3,151,082	3,244,693
Loss (gain) on disposal of tangible capital assets	232,023	35,446
Tangible capital assets received as contributions	(18,552)	(76,906)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes receivable	(70,220)	(96,345)
Decrease (increase) in trade and other receivables	2,023,159	373,300
Decrease (increase) in inventory for consumption	32,768	3,237
Decrease (increase) in prepaid expenses	(253,508)	(26,003)
Increase (decrease) in accounts payable and accrued liabilities	736,000	706,374
Increase (decrease) in deferred revenue	(670,070)	1,641,140
Increase (decrease) in security deposits	<u>(75,636)</u>	<u>28,367</u>
Cash provided by operating transactions	<u>9,676,770</u>	<u>7,309,662</u>
CAPITAL		
Purchase of tangible capital assets	(5,482,385)	(874,459)
Acquisition of construction-in-progress	(525,845)	(1,582,369)
Proceeds on sale of tangible capital assets	<u>127,995</u>	<u>73,875</u>
Cash applied to capital transactions	<u>(5,880,235)</u>	<u>(2,382,953)</u>
FINANCING		
Long-term debt repaid	<u>(812,197)</u>	<u>(781,843)</u>
Cash provided by financing transactions	<u>(812,197)</u>	<u>(781,843)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	2,984,338	4,144,866
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>14,657,241</u>	<u>10,512,375</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 17,641,579</u>	<u>\$ 14,657,241</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, 2019
SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019 TOTAL	2018 TOTAL
BALANCE, BEGINNING OF YEAR	\$ 7,109,023	\$ 6,729,429	\$ 82,361,038	\$ 96,199,490	\$ 94,723,131
Excess Of Revenues Over Expenditures	4,589,724	-	-	4,589,724	1,476,359
Restricted funds used for operations	848,742	(848,742)	-	-	-
Unrestricted funds designated for future use	(2,278,668)	2,278,668	-	-	-
Funds used for tangible capital assets	(5,175,442)	(832,788)	6,008,230	-	-
Contributed tangible capital assets	(18,552)	-	18,552	-	-
Disposal of tangible capital assets	360,018	-	(360,018)	-	-
Annual amortization expense	3,151,082	-	(3,151,082)	-	-
Capital long-term debt repaid	(770,319)	-	770,319	-	-
Change in accumulated surplus	706,585	597,138	3,286,001	4,589,724	1,476,359
BALANCE, END OF YEAR	<u>\$ 7,815,608</u>	<u>\$ 7,326,567</u>	<u>\$ 85,647,039</u>	<u>\$ 100,789,214</u>	<u>\$ 96,199,490</u>

TOWN OF ROCKY MOUNTAIN HOUSE
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
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>2019 TOTAL</u>	<u>2018 TOTAL</u>
COST								
BALANCE, BEGINNING OF YEAR	\$ 6,022,368	\$ 6,914,507	\$ 28,695,377	\$ 93,447,283	\$ 5,380,651	\$ 2,940,645	\$ 143,400,831	\$ 141,249,940
Acquisition of tangible capital assets	145,826	1,107,003	30,340	3,669,167	423,990	124,613	5,500,939	951,363
Construction-in-progress	-	-	-	525,845	-	-	2,157,465	1,631,620
Disposal of tangible capital assets	<u>(59,590)</u>	<u>-</u>	<u>(310,949)</u>	<u>(1,723,108)</u>	<u>(235,526)</u>	<u>(28,851)</u>	<u>(2,358,024)</u>	<u>(432,092)</u>
BALANCE, END OF YEAR	<u>\$ 6,108,604</u>	<u>\$ 8,021,510</u>	<u>\$ 28,414,768</u>	<u>\$ 95,919,187</u>	<u>\$ 5,569,115</u>	<u>\$ 3,036,407</u>	<u>\$ 148,701,211</u>	<u>\$ 143,400,831</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	\$ -	\$ 5,316,153	\$ 6,435,387	\$ 38,716,418	\$ 3,491,858	\$ 1,727,414	\$ 55,687,230	\$ 52,765,306
Annual Amortization	-	166,960	600,497	1,918,839	305,253	159,533	3,151,082	3,244,693
Accumulated amortization on disposals	<u>-</u>	<u>-</u>	<u>(54,196)</u>	<u>(89,686)</u>	<u>(203,651)</u>	<u>(18,851)</u>	<u>(366,384)</u>	<u>(322,769)</u>
BALANCE, END OF YEAR	<u>-</u>	<u>5,483,113</u>	<u>6,981,688</u>	<u>40,545,571</u>	<u>3,593,460</u>	<u>1,868,096</u>	<u>58,471,928</u>	<u>55,687,230</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 6,108,604</u>	<u>\$ 2,538,397</u>	<u>\$ 21,433,080</u>	<u>\$ 55,373,616</u>	<u>\$ 1,975,655</u>	<u>\$ 1,168,311</u>	<u>\$ 90,229,283</u>	<u>\$ 87,713,601</u>

During the year, the Town recognized the acquisition of machinery & equipment with a value of \$18,552. (In 2018 the Town recognized \$76,906 representing roads, sewers, water mains, concrete work, service connections, sidewalks and gutters constructed by a subdivision developer for which responsibility was transferred to the Town during the year.

TOWN OF ROCKY MOUNTAIN HOUSE

**CONSOLIDATED SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2019
SCHEDULE 3**

	Budget (Unaudited)	2019	2018
TAXATION			
Residential	\$ 8,088,634	\$ 8,179,115	\$ 8,101,880
Industrial and commercial	3,500,336	3,513,093	3,320,373
Linear Property	162,623	161,173	159,946
Railway	4,738	5,539	6,161
Machinery and Equipment	2,718	2,703	2,618
Farm Land	686	686	605
Federal Government Taxes in Lieu	18,718	18,718	16,134
Provincial Government Taxes in Lieu	<u>111,416</u>	<u>111,416</u>	<u>97,151</u>
	<u>11,889,869</u>	<u>11,992,443</u>	<u>11,704,868</u>
REQUISITIONS			
Alberta School Foundation Fund	2,624,553	2,734,177	2,699,465
Westview Lodge	80,593	80,593	80,005
Other requisition transfers	<u>920</u>	<u>919</u>	<u>-</u>
	<u>2,706,066</u>	<u>2,815,689</u>	<u>2,779,470</u>
NET MUNICIPAL TAXES	<u>\$ 9,183,803</u>	<u>\$ 9,176,754</u>	<u>\$ 8,925,398</u>

TOWN OF ROCKY MOUNTAIN HOUSE

**CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2019
SCHEDULE 4**

	Budget (Unaudited)	2019	2018
TRANSFERS FOR OPERATING			
Other Local Governments	\$ 2,648,708	\$ 2,453,037	\$ 2,615,866
Provincial Government	1,219,920	1,373,632	983,893
Federal Government	6,400	4,200	-
	<u>3,875,028</u>	<u>3,830,869</u>	<u>3,599,759</u>
TRANSFERS FOR CAPITAL			
Other Local Governments	713,150	453,815	70,972
Provincial Government	<u>3,921,314</u>	<u>3,566,056</u>	<u>1,429,615</u>
	<u>4,634,464</u>	<u>4,019,871</u>	<u>1,500,587</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 8,509,492</u>	<u>\$ 7,850,740</u>	<u>\$ 5,100,346</u>

TOWN OF ROCKY MOUNTAIN HOUSE

**SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2019
SCHEDULE 5**

CONSOLIDATED EXPENSES BY OBJECT	Budget (Unaudited)	2019	2018
Salaries, wages and benefits	\$ 7,467,399	\$ 7,527,481	\$ 6,792,769
Contracted and general services	5,943,117	5,205,089	4,738,488
Materials, goods and utilities	2,101,620	2,116,783	2,159,599
Bank charges and short term interest	17,000	23,459	74,656
Interest on long-term debt	266,200	214,266	287,843
Transfers to local boards and organizations	2,660,424	2,438,837	2,324,718
Amortization of tangible capital assets	3,322,900	3,151,082	3,244,693
Loss (gain) on disposal of tangible capital assets	<u>-</u>	<u>232,023</u>	<u>9,446</u>
	<u>\$ 21,778,660</u>	<u>\$ 20,909,020</u>	<u>\$ 19,632,212</u>

TOWN OF ROCKY MOUNTAIN HOUSE

**CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2019
SCHEDULE 6**

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	TOTAL
REVENUE								
Net municipal taxes	\$ 9,176,754	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,176,754
Government transfers	868,172	694,684	2,969,834	208,249	2,279,591	-	830,210	7,850,740
User fees and sales of goods	18,053	-	8,483	(69,113)	476,975	4,573,674	10,224	5,018,296
Investment Income	304,186	-	-	-	-	-	-	304,186
Contributed assets	-	-	-	-	-	18,552	-	18,552
Other	1,194,237	157,750	82,870	351,882	1,088,685	92,748	162,044	3,130,216
	<u>\$ 11,561,402</u>	<u>\$ 852,434</u>	<u>\$ 3,061,187</u>	<u>\$ 491,018</u>	<u>\$ 3,845,251</u>	<u>\$ 4,684,974</u>	<u>\$ 1,002,478</u>	<u>\$ 25,498,744</u>
EXPENSES								
Contracted & general services	\$ 984,565	\$ 1,852,975	\$ 664,603	\$ 471,543	\$ 478,918	\$ 662,785	\$ 89,700	\$ 5,205,089
Salaries & wages	1,317,387	670,867	1,195,286	606,613	2,693,741	785,745	257,842	7,527,481
Goods & supplies	128,866	30,463	642,732	81,135	726,811	477,081	29,695	2,116,783
Transfers to local boards	114,545	436,989	5,600	35,000	330,901	983,428	532,374	2,438,837
Interest expense & bank charges	48,458	-	4,878	12,098	51,984	120,307	-	237,725
Other expenses	232,023	-	-	-	-	-	-	232,023
	<u>2,825,844</u>	<u>2,991,294</u>	<u>2,513,099</u>	<u>1,206,389</u>	<u>4,282,355</u>	<u>3,029,346</u>	<u>909,611</u>	<u>17,757,938</u>
NET REVENUE, BEFORE AMORTIZATION	8,735,558	(2,138,860)	548,088	(715,371)	(437,104)	1,655,628	92,867	7,740,806
Amortization Expense	(27,064)	(108,433)	(1,155,394)	(38,041)	(836,616)	(983,494)	(2,040)	(3,151,082)
NET REVENUE	<u>\$ 8,708,494</u>	<u>\$ (2,247,293)</u>	<u>\$ (607,306)</u>	<u>\$ (753,412)</u>	<u>\$ (1,273,720)</u>	<u>\$ 672,134</u>	<u>\$ 90,827</u>	<u>\$ 4,589,724</u>

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 expenditures, 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 expenditures.

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.

(c) Use of Estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards 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, non-vesting employee benefit liabilities and contingent liabilities and commitments are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the financial statements.

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(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) Investments

Investments are recorded at amortized cost. Investment premiums 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.

Investment income is reported 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.

(f) 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.

(g) Loans Receivable

Loans receivable 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.

(h) 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.

(i) 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.

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Tax Revenue

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.

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

(k) 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 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.

(l) 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.

(m) Pension

The Town participates in a 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 14 for details of the pension plan.

(n) 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 estimate of the amounts can be determined.

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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

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

(ii) Contributions of Tangible Capital Assets

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

(iii) Leases

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

(iv) Inventories

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

(p) Cash Flow Reporting

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

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. CASH AND TEMPORARY INVESTMENTS

	2019	2018
Cash	\$ 17,640,580	\$ 14,656,242
Credit Union shares	<u>999</u>	<u>999</u>
	<u>\$ 17,641,579</u>	<u>\$ 14,657,241</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% to 1.55% per annum. Effective rate at year end is 2.05% to 2.40% per annum. Cash also includes amounts held in a savings account earning interest at 0.95% per annum.

3. TAXES RECEIVABLE

	2019	2018
Current taxes	\$ 128,720	\$ 132,838
Arrears taxes	<u>356,129</u>	<u>396,731</u>
	<u>\$ 484,849</u>	<u>\$ 528,047</u>

4. TRADE AND OTHER RECEIVABLES

	2019	2018
Other trade receivables	\$ 604,335	\$ 569,157
School under-levy	114,940	1,522
Utilities receivable	523,500	380,847
Government grants for operating costs	270,948	1,769,571
Government grants for capital costs	1,513,740	1,772,497
Other receivable for capital costs (Note 12)	<u>592,100</u>	<u>731,100</u>
	<u>\$ 3,504,623</u>	<u>\$ 5,224,694</u>

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**5. EMPLOYEE BENEFIT OBLIGATIONS**

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

	2019	2018
Bank time	\$ 8,867	\$ 35,162
Vacation and incentive time	389,504	187,350
Personal time	<u>170,767</u>	<u>245,573</u>
	<u>\$ 569,138</u>	<u>\$ 468,085</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 (2018 - 960 hours) of sick time but are not entitled to pay-in-lieu of unused sick time upon termination of their employment. Management expects that 34% of the accrued sick hours will be used.

6. SECURITY DEPOSITS

Security deposits are financial deposits for private development that 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.

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. DEFERRED REVENUE

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

	Balance 2018	Increases	Decreases	Balance 2019
Prepaid local improvements	\$ 80,677	\$ -	\$ (28,072)	\$ 52,605
Overpayment of taxes	37,541	34,025	(37,541)	34,025
Deferred projects	110,133	11,643	(44,805)	76,971
Deferred operating revenue	669,359	97,059	(490,620)	275,798
Deferred recreational sponsorship revenue	99,042	128,256	(210,790)	16,508
Deferred Museum lands enhancement project revenue	129,302	30,000	(157,540)	1,762
Deferred capital grants	3,679,740	3,933,580	(3,821,046)	3,792,274
Requisition over-levy	114,219	-	(114,219)	-
	<u>\$ 4,920,013</u>	<u>\$ 4,234,563</u>	<u>\$ (4,904,633)</u>	<u>\$ 4,249,943</u>

Prepaid local improvement charges are being amortized to revenue over the useful life of the corresponding debentures with terms ranging from 1 to 18 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 2018	Increases	Decreases	Balance 2019
Municipal Sustainability Initiative Grant	\$ 3,308,460	\$ 1,075,260	\$ (2,282,338)	\$ 2,101,382
Federal Gas Tax Fund	342,521	749,758	(610,146)	482,133
Gruber Street Light Reserve	13,188	-	-	13,188
Other Provincial Government Grants	-	673,562	(673,562)	-
Shell Canada donation	-	1,000,000	-	1,000,000
Other deferred capital revenues	15,571	390,000	(255,000)	150,571
	<u>\$ 3,679,740</u>	<u>\$ 3,933,580</u>	<u>\$ (3,821,046)</u>	<u>\$ 3,792,274</u>

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

8. LONG TERM DEBT

	2019	2018
Tax supported debentures	\$ 3,309,335	\$ 2,255,508
Self supported debentures	<u>1,838,324</u>	<u>3,704,348</u>
	<u>\$ 5,147,659</u>	<u>\$ 5,959,856</u>

The current portion of the long-term debt amounts are \$700,189 (2018 - \$812,197).

Principal and interest repayments are due as follows:

	PRINCIPAL	INTEREST	TOTAL
2020	\$ 700,189	\$ 330,056	\$ 1,030,245
2021	723,955	162,583	886,538
2022	748,594	137,944	886,538
2023	774,140	112,398	886,538
2024	587,424	299,114	886,538
Thereafter	<u>1,613,357</u>	<u>755,440</u>	<u>2,368,797</u>
	<u>\$ 5,147,659</u>	<u>\$ 1,797,535</u>	<u>\$ 6,945,194</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.51% to 6.50% per annum and mature in periods 2019 through 2030. The average annual interest rate is 4.47% (2018 - 4.47%).

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

9. 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:

	2019	2018
Total Debt Limit	\$ 32,190,482	\$ 29,160,966
Total debt	<u>5,147,659</u>	5,959,856
Amount of debt limit unused	<u>\$ 27,042,823</u>	<u>\$ 23,201,110</u>
Debt servicing limit	\$ 5,365,080	\$ 4,860,161
Debt servicing	<u>1,030,245</u>	<u>1,030,245</u>
Amount of debt servicing limit unused	<u>\$ 4,334,835</u>	<u>\$ 3,829,916</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, 2019

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2019	2018
Capital Assets (Schedule 2)	\$ 148,701,211	\$ 143,400,831
Accumulated amortization (Schedule 2)	(58,471,928)	(55,687,230)
Long-term debt (Note 8)	(5,147,659)	(5,959,856)
Long-term operating debt	<u>565,415</u>	<u>607,293</u>
	<u>\$ 85,647,039</u>	<u>\$ 82,361,038</u>

11. ACCUMULATED SURPLUS

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

	2019	2018
Unrestricted surplus	\$ 7,815,608	\$ 7,109,023
Restricted surplus	7,326,567	6,729,429
Equity in tangible capital assets (Note 10)	<u>85,647,039</u>	<u>82,361,038</u>
	<u>\$ 100,789,214</u>	<u>\$ 96,199,490</u>

RESTRICTED SURPLUS	Balance 2018	Increases	Decreases	Balance 2019
Operating contingency	\$ 796,776	\$ 1,191,282	\$ (848,742)	\$ 1,139,316
Operations / Recreation / Bylaw				
Equipment reserve	370,353	12,443	(105,697)	277,099
Recreation reserve	43,577	55,324	-	98,901
Council Contingency	93,847	4,022	(475)	97,394
Computer reserve	31,014	1,336	-	32,350
Post House reserve	25,853	1,114	-	26,967
Creekside Housing reserve	15,866	684	-	16,550
Snow reserve	99,204	4,273	-	103,477
Building maintenance reserve	481,228	20,729	-	501,957
Environmental Sustainability				
reserve	806,829	318,025	(124,298)	1,000,556
Airport - equipment	73,798	18,209	(14,283)	77,724
Water and sewer Infrastructure	1,968,995	503,208	(178,860)	2,293,343
Land development	1,128,845	64,432	(175,115)	1,018,162
Off-site levies	793,244	24,087	(234,060)	583,271
Deferred projects	-	59,500	-	59,500
	<u>\$ 6,729,429</u>	<u>\$ 2,278,668</u>	<u>\$ (1,681,530)</u>	<u>\$ 7,326,567</u>

The reserves of the Town of Rocky Mountain House are not specifically funded other than the Airport equipment reserve.

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

12. CONTRACTUAL RIGHTS

During 2015 and 2016 the Town entered into several Sponsorship Agreements with various local sponsors providing various naming rights for the local recreation centre for ten year terms. Annual payments are due in February of each year, and can be terminated at any time during the term upon sixty days written notice or immediately by the Town in event of default. No future receipts have been accrued in these financial statements. Anticipated future receipts under these agreements are:

2020	\$	146,595
2021		130,722
2022		130,722
2023		130,343
2024		129,206
Thereafter		<u>125,522</u>
	\$	<u>793,110</u>

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. 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.

2020	\$	139,000
2021		139,000
2022		139,000
2023		139,000
2024		<u>36,100</u>
	\$	<u>592,100</u>

In 2015 the Town signed a Revenue Sharing Agreement with Clearwater County, committing the County to make annual revenue sharing payments to the Town of \$750,000. The agreement terminated on December 31, 2019. Subsequent to year end the Town and Clearwater County are in negotiations on a new agreement.

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:

2020	\$	55,458
2021		55,458
2022		55,458
2023		55,458
2024		55,458
Thereafter		<u>27,729</u>
	\$	<u>305,019</u>

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

13. 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	2019			2018
	HONORARIUM SALARY ¹	BENEFITS & ALLOWANCES ²	TOTAL	TOTAL
Jason Alderson	\$ 34,800	\$ 2,896	\$ 37,696	\$ 20,444
David Auld	16,020	1,510	17,530	-
Randy Brown	34,120	2,848	36,968	20,881
Tammy Burke	64,320	3,296	67,616	39,603
Scott Collinson	1,355	88	1,443	18,397
Merrin Fraser	31,965	2,741	34,706	20,012
Michelle Narang	33,525	2,867	36,392	19,718
Len Phillips	<u>33,375</u>	<u>2,789</u>	<u>36,164</u>	<u>20,012</u>
	<u>\$ 249,480</u>	<u>\$ 19,035</u>	<u>\$ 268,515</u>	<u>\$ 159,067</u>
CAO - Anderson (interim)	\$ -	\$ -	\$ -	\$ 11,928
CAO - Dean Krause	<u>171,508</u>	<u>29,726</u>	<u>201,234</u>	<u>180,467</u>
	<u>\$ 171,508</u>	<u>\$ 29,726</u>	<u>\$ 201,234</u>	<u>\$ 192,395</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 and 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.

14. 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 265,800 people and about 421 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% (2018 - 10.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (2018 - 14.84%) on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 8.39% (2018 - 9.39%) of pensionable salary up to the year's maximum pensionable salary and 12.84% (2018 - 13.84%) on pensionable salary above this amount.

Total current and past service contributions by the Town to the Local Authorities Pension Plan in 2019 were \$460,568 (2018 - \$390,028). Total current and past service contributions by the employees of the Town to the Local Authorities Pension Plan in 2019 were \$411,155 (2018 - \$356,082).

At December 30, 2018 the LAPP disclosed an actuarial surplus of \$3.5 billion (2017 - \$4.8 billion surplus). Information as at December 31, 2019 was not available at the time of preparing these financial statements.

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

15. CONTINGENCIES

Regional Waste Authority

Pursuant to an agreement entered into in 2001, the Town, the Clearwater County, and the Village of Caroline established a regional solid waste authority to manage and operate a solid waste system.

The Rocky Mountain Regional Solid Waste Authority (the "Authority") is governed by its own board of directors.

The Town, the Clearwater County and the Village of Caroline may be jointly responsible for the defense of any claims brought against the Authority or against the Town, the Clearwater County or the Village of Caroline in respect of or arising out of the operations or undertakings of the Authority. In the event of a judgement, order or award of any kind being made against the Authority or the Town, the County or the Village, as a result of the operations or undertakings of the Authority, the Town, the County and the Village shall be jointly responsible for the payment of all costs associated with such award, order or judgement with each party's share being apportioned based on the formula per the agreement dated June 20, 2001. Management is not aware of any active claims against the Authority at December 31, 2019.

The agreement has been extended and expires on June 30, 2020.

Legal Actions

The Town has no lawsuits outstanding as at December 31, 2019.

Landfill Closure and Post-Closure Liability

Pursuant to the *Alberta Environmental Protection and Enhancement Act*, the Town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities have occurred and the Town is continuing surface and ground water monitoring, leachate control, and visual inspection. No post-closure liability is accrued in these financial statements and any further costs are being recognized as they occur, as a reasonable estimate of the total future liability can not be made at this point, and is not expected to be significant.

TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**16. COMMITMENTS****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 2019 are \$2,099,014. (In 2018 the Town recognized \$2,157,547). The Town received Provincial grants to assist with the cost sharing in the amount of \$353,080. (In 2018 the Town recognized \$353,080).

17. 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).

18. 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, 2019**19. 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 47% of the amounts receivable is due from three entities (2018 - 59%; 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, 2019**20. RELATED PARTY TRANSACTIONS**

The Town of Rocky Mountain House is 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 \$983,428. (In 2018 the Town recognized \$965,548).

The above transactions are in the normal course of operations and are measured at the exchange amounts, which is the amount of consideration established and agreed to by the related parties.

21. TRUST FUNDS

The Town of Rocky Mountain House administers the following trust:

	2019	2018
Cemetery Perpetual Care		
Balance, beginning of year	\$ 67,619	\$ 62,943
Sale of cemetery plots	1,700	3,350
Interest	<u>1,506</u>	<u>1,326</u>
Balance, end of year	<u>\$ 70,825</u>	<u>\$ 67,619</u>

22. BUDGET AMOUNTS

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

23. APPROVAL OF FINANCIAL STATEMENTS

These financial statements are approved by Council and management April 30, 2020.