

TOWN OF ROCKY MOUNTAIN HOUSE

FINANCIAL STATEMENTS

DECEMBER 31, 2011



WADE NOBLE & PARTNERS LLP

*C.S. WADE, B. COMM., CA
 *R.G. NOBLE, B. COMM., CA
 *J.R. WADE, B. COMM., CGA, CA
 *B. D. MAYER, B. MGMT., CA

P.O. BOX 100
 ROCKY MOUNTAIN HOUSE
 ALBERTA, T4T 1A1
 (403) 845-3226
 FAX (403) 845-5666

INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Town of Rocky Mountain House, which comprise the statement of financial position as at December 31, 2011, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects the financial position of the Town of Rocky Mountain House as at December 31, 2011, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Wade Noble & Partners LLP

Chartered Accountants

Rocky Mountain House, Alberta
 April 03, 2012

TOWN OF ROCKY MOUNTAIN HOUSE

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011**

	2011	2010
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 12,045,949	\$ 9,049,729
Receivables		
Taxes and grants in place of taxes (Note 3)	196,343	191,757
Trade and other receivables	942,384	2,854,998
Land for resale inventory	<u>837,720</u>	<u>837,720</u>
	<u>14,022,396</u>	<u>12,934,204</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,426,787	1,088,457
Accounts payable - tangible capital assets	68,328	234,850
Deferred revenue (Note 4)	2,065,431	1,706,321
Employee benefit obligations (Note 5)	284,410	246,021
Long term debt (Note 6)	<u>7,670,112</u>	<u>8,326,887</u>
	<u>11,515,068</u>	<u>11,602,536</u>
NET FINANCIAL ASSETS	<u>2,507,328</u>	<u>1,331,668</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	66,489,876	64,687,164
Inventory for consumption	<u>179,936</u>	<u>196,611</u>
	<u>66,669,812</u>	<u>64,883,775</u>
ACCUMULATED SURPLUS (Schedule 1, Note 9)	<u>\$ 69,177,140</u>	<u>\$ 66,215,443</u>

Commitments and Contingencies - See Note 12 and 13

See accompanying notes to the financial statements

TOWN OF ROCKY MOUNTAIN HOUSE
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2011

	Budget (Unaudited)	2011	2010
REVENUE			
Net municipal taxes (Schedule 3)	\$ 5,845,639	\$ 5,989,605	\$ 5,696,661
User fees and sale of goods	4,269,018	4,356,639	4,112,900
Government transfers for operating (Schedule 4)	2,235,681	2,538,638	2,634,515
Investment income	150,000	146,478	85,120
Franchise and concessions	<u>453,403</u>	<u>516,652</u>	<u>449,825</u>
Total Revenue	<u>12,953,741</u>	<u>13,548,012</u>	<u>12,979,021</u>
EXPENSES			
Legislative	252,376	207,536	199,082
Administration	1,277,691	1,168,335	1,077,436
Police	1,655,736	1,594,797	1,347,542
Fire and by-law enforcement	899,681	842,889	864,527
Common services	674,155	645,200	578,213
Roads	1,444,076	1,875,316	1,642,636
Airport	156,692	175,887	171,288
Water and wastewater	1,884,656	2,190,666	1,865,183
Waste management	470,951	479,420	384,346
Economic development	264,860	250,314	258,489
Subdivision land development	303,179	285,433	328,794
Recreation and parks	2,917,257	3,005,494	3,028,428
Library	230,569	232,954	226,400
Community hall	263,651	278,584	319,086
Family and community support	662,488	810,656	735,979
Other	59,154	40,006	35,803
Loss on disposal of tangible capital assets	-	56,502	580,995
Westview Lodge Allocation	-	-	601,470
Total Expenses	<u>13,417,172</u>	<u>14,139,989</u>	<u>14,245,697</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES - BEFORE OTHER	(463,431)	(591,977)	(1,266,676)
OTHER			
Contributed assets	-	1,792,485	4,491,204
Government transfers for capital (Schedule 4)	<u>2,373,957</u>	<u>1,761,189</u>	<u>2,704,112</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,910,526	2,961,697	5,928,640
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>66,215,443</u>	<u>66,215,443</u>	<u>60,286,803</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 68,125,969</u>	<u>\$ 69,177,140</u>	<u>\$ 66,215,443</u>

See accompanying notes to the financial statements

TOWN OF ROCKY MOUNTAIN HOUSE

**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2011**

	Budget (Unaudited)	2011	2010
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ <u>1,910,526</u>	\$ <u>2,961,697</u>	\$ <u>5,928,640</u>
Acquisition of tangible capital assets	(3,907,841)	(2,584,630)	(5,189,750)
Contributed tangible capital assets	-	(1,792,485)	(4,491,204)
Proceeds on disposal of tangible capital assets	-	62,844	44,900
Amortization of tangible capital assets	1,784,308	2,455,061	2,135,563
Loss on sale of tangible capital assets	-	<u>56,502</u>	<u>580,995</u>
	<u>(2,123,533)</u>	<u>(1,802,708)</u>	<u>(6,919,496)</u>
Acquisition of supplies inventories	-	-	(48,741)
Net use of supplies inventories	<u>-</u>	<u>16,671</u>	<u>-</u>
(INCREASE) DECREASE IN NET DEBT	(213,007)	1,175,660	(1,039,597)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,331,668</u>	<u>1,331,668</u>	<u>2,371,265</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u>1,118,661</u>	\$ <u>2,507,328</u>	\$ <u>1,331,668</u>

See accompanying notes to the financial statements

TOWN OF ROCKY MOUNTAIN HOUSE

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011	2010
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenues over expenditures	\$ 2,961,697	\$ 5,928,640
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	2,455,061	2,135,563
Loss on disposal of tangible capital assets	56,502	580,995
Tangible capital assets received as contributions	(1,792,485)	(4,491,204)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(4,586)	116,932
Decrease (increase) in trade and other receivables	1,912,614	(1,283,888)
Decrease (increase) in inventory of land for resale	-	-
Decrease (increase) in inventory for consumption	16,671	(48,741)
Increase (decrease) in accounts payable and accrued liabilities	210,197	(953,070)
Increase (decrease) in deferred revenue	359,110	(613,461)
Add back increase in accounts payable for tangible capital assets	<u>(68,328)</u>	<u>(234,850)</u>
Cash provided by operating transactions	<u>6,106,453</u>	<u>1,136,916</u>
CAPITAL		
Acquisition of tangible capital assets	(2,584,630)	(5,189,750)
Increase of accounts payable acquisition of tangible capital assets	68,328	234,850
Sale of tangible capital assets	<u>62,844</u>	<u>44,900</u>
Cash applied to capital transactions	<u>(2,453,458)</u>	<u>(4,910,000)</u>
FINANCING		
Long-term debt issued	-	2,500,636
Long-term debt repaid	<u>(656,775)</u>	<u>(610,714)</u>
Cash provided by (applied to) financing transactions	<u>(656,775)</u>	<u>1,889,922</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	2,996,220	(1,883,162)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>9,049,729</u>	<u>10,932,891</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 12,045,949</u>	<u>\$ 9,049,729</u>
Cash and cash equivalents is made up of:		
Cash	\$ 11,920,894	\$ 8,955,673
Temporary Investments	<u>125,055</u>	<u>94,056</u>
	<u>\$ 12,045,949</u>	<u>\$ 9,049,729</u>

See accompanying notes to the financial statements

TOWN OF ROCKY MOUNTAIN HOUSE

**SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2011
Schedule 1**

	<u>Unrestricted Surplus</u>	<u>Restricted Surplus</u>	<u>Equity in Tangible Capital Assets</u>	<u>2011 TOTAL</u>	<u>2010 TOTAL</u>
BALANCE, BEGINNING OF YEAR	\$ <u>1,726,677</u>	\$ <u>7,228,489</u>	\$ <u>57,260,277</u>	\$ <u>66,215,443</u>	\$ <u>60,286,803</u>
Excess (deficiency) of revenues over expenses	2,961,697	-	-	2,961,697	5,928,640
Unrestricted funds designated for future use	1,009,655	(1,009,655)	-	-	-
Restricted funds used for operations	(520,069)	520,069	-	-	-
Current year funds used for tangible capital assets	(2,584,630)	-	2,584,630	-	-
Contributed tangible capital assets	(1,792,485)	-	1,792,485	-	-
Disposal of tangible capital assets	119,346	-	(119,346)	-	-
Annual amortization expense	2,455,061	-	(2,455,061)	-	-
Capital long term debt repaid	(612,462)	-	612,462	-	-
Change in accumulated surplus	<u>1,036,113</u>	<u>(489,586)</u>	<u>2,415,170</u>	<u>2,961,697</u>	<u>5,928,640</u>
BALANCE, END OF YEAR	\$ <u>2,762,790</u>	\$ <u>6,738,903</u>	\$ <u>59,675,447</u>	\$ <u>69,177,140</u>	\$ <u>66,215,443</u>

TOWN OF ROCKY MOUNTAIN HOUSE

SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011
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>2011 TOTAL</u>	<u>2010 TOTAL</u>
COST								
BALANCE, BEGINNING OF YEAR	\$ 6,362,045	\$ 5,904,453	\$ 12,367,316	\$ 68,357,512	\$ 3,565,420	\$ 2,552,861	\$ 99,109,607	\$ 91,156,915
Acquisition of tangible capital assets	178,786	29,281	524,447	3,287,470	184,303	172,828	4,377,115	9,680,954
Disposal of tangible capital assets	<u>-</u>	<u>-</u>	<u>(55,979)</u>	<u>(318,373)</u>	<u>(6,141)</u>	<u>(86,719)</u>	<u>(467,212)</u>	<u>(1,728,262)</u>
BALANCE, END OF YEAR	<u>\$ 6,540,831</u>	<u>\$ 5,933,734</u>	<u>\$ 12,835,784</u>	<u>\$ 71,326,609</u>	<u>\$ 3,743,582</u>	<u>\$ 2,638,970</u>	<u>\$ 103,019,510</u>	<u>\$ 99,109,607</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	\$ -	\$ 3,728,006	\$ 3,599,441	\$ 24,865,711	\$ 1,339,854	\$ 889,428	\$ 34,422,440	\$ 33,389,243
Annual Amortization	-	155,997	250,583	1,584,570	294,270	169,641	2,455,061	2,135,563
Accumulated amortization on disposals	<u>-</u>	<u>-</u>	<u>(55,980)</u>	<u>(213,027)</u>	<u>(1,141)</u>	<u>(77,719)</u>	<u>(347,867)</u>	<u>(1,102,363)</u>
BALANCE, END OF YEAR	<u>-</u>	<u>3,884,003</u>	<u>3,794,044</u>	<u>26,237,254</u>	<u>1,632,983</u>	<u>981,350</u>	<u>36,529,634</u>	<u>34,422,443</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 6,540,831</u>	<u>\$ 2,049,731</u>	<u>\$ 9,041,740</u>	<u>\$ 45,089,355</u>	<u>\$ 2,110,599</u>	<u>\$ 1,657,620</u>	<u>\$ 66,489,876</u>	<u>\$ 64,687,164</u>

TOWN OF ROCKY MOUNTAIN HOUSE

**SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2011
SCHEDULE 3**

	Budget (Unaudited)	2011	2010
TAXATION			
Real property taxes	\$ 7,929,813	\$ 8,147,476	\$ 7,731,551
Linear Property	102,930	107,803	102,929
Government grants in place of property taxes	155,874	153,361	156,671
Special assessments and local improvement taxes	<u>845</u>	<u>865</u>	<u>844</u>
	<u>8,189,462</u>	<u>8,409,505</u>	<u>7,991,995</u>
REQUISITIONS			
Alberta School Foundation Fund	2,226,065	2,331,996	2,226,065
Westview Lodge	<u>117,758</u>	<u>87,904</u>	<u>69,269</u>
	<u>2,343,823</u>	<u>2,419,900</u>	<u>2,295,334</u>
NET MUNICIPAL TAXES	<u>\$ 5,845,639</u>	<u>\$ 5,989,605</u>	<u>\$ 5,696,661</u>

TOWN OF ROCKY MOUNTAIN HOUSE

**SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2011
SCHEDULE 4**

	Budget (Unaudited)	2011	2010
TRANSFERS FOR OPERATING			
Provincial Government	\$ 807,342	\$ 1,031,814	\$ 1,186,276
Other Local Governments	<u>1,428,339</u>	<u>1,506,824</u>	<u>1,448,239</u>
	<u>2,235,681</u>	<u>2,538,638</u>	<u>2,634,515</u>
TRANSFERS FOR CAPITAL			
Provincial Government	1,709,349	1,213,009	2,568,444
Federal Government	624,608	528,580	-
Local Grant Funding - Other	<u>40,000</u>	<u>19,600</u>	<u>135,668</u>
	<u>2,373,957</u>	<u>1,761,189</u>	<u>2,704,112</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 4,609,638</u>	<u>\$ 4,299,827</u>	<u>\$ 5,338,627</u>

TOWN OF ROCKY MOUNTAIN HOUSE

**SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2011
SCHEDULE 5**

	Budget (Unaudited)	2011	2010
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 4,785,915	\$ 4,556,047	\$ 4,502,083
Contracted and general services	3,578,383	3,589,799	3,122,174
Materials, goods and utilities	1,734,249	1,966,667	1,925,861
Bank charges and short term interest	30,700	30,004	28,716
Interest on long term debt	386,031	355,329	335,462
Transfers to local boards and organizations	1,117,586	1,130,580	1,614,843
Amortization of Tangible Capital Assets	1,784,308	2,455,061	2,135,563
Loss on disposal of tangible capital assets	<u>-</u>	<u>56,502</u>	<u>580,995</u>
	<u>\$ 13,417,172</u>	<u>\$ 14,139,989</u>	<u>\$14,245,697</u>

TOWN OF ROCKY MOUNTAIN HOUSE
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2011
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>	TOTAL
REVENUE								
Net municipal taxes	\$ 5,989,605	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,989,605
Government transfers	653,675	945,173	394,265	19,824	772,747	946,300	567,843	4,299,827
User fees and sales of goods	370,565	75,381	195,890	99,712	682,135	2,856,446	76,510	4,356,639
Investment Income	146,478	-	-	-	-	-	-	146,478
Contributed assets	-	-	-	1,752,485	40,000	-	-	1,792,485
Other	<u>516,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>516,652</u>
	<u>\$ 7,676,975</u>	<u>\$ 1,020,554</u>	<u>\$ 590,155</u>	<u>\$ 1,872,021</u>	<u>\$ 1,494,882</u>	<u>\$ 3,802,746</u>	<u>\$ 644,353</u>	<u>\$ 17,101,686</u>
EXPENSES								
Contracted & general services	\$ 395,599	\$ 1,582,485	\$ 363,309	\$ 234,094	\$ 565,541	\$ 380,125	\$ 68,646	\$ 3,589,799
Salaries & wages	795,754	488,499	754,918	228,079	1,560,072	553,350	175,375	4,556,047
Goods & supplies	48,015	42,818	549,064	10,728	696,280	451,090	168,672	1,966,667
Transfers to local boards	35,606	201,037	-	52,000	196,369	237,407	408,161	1,130,580
Long-term debt interest	53,946	7,540	19,026	-	63,820	241,001	-	385,333
Other expenses	<u>21,156</u>	<u>-</u>	<u>5,948</u>	<u>-</u>	<u>-</u>	<u>29,398</u>	<u>-</u>	<u>56,502</u>
	<u>1,350,076</u>	<u>2,322,379</u>	<u>1,692,265</u>	<u>524,901</u>	<u>3,082,082</u>	<u>1,892,371</u>	<u>820,854</u>	<u>11,684,928</u>
NET REVENUE, BEFORE AMORTIZATION	6,326,899	(1,301,825)	(1,102,110)	1,347,120	(1,587,200)	1,910,375	(176,501)	5,416,758
Amortization Expense	<u>(46,955)</u>	<u>(115,301)</u>	<u>(1,010,087)</u>	<u>(10,846)</u>	<u>(434,950)</u>	<u>(807,115)</u>	<u>(29,807)</u>	<u>(2,455,061)</u>
NET REVENUE	<u>\$ 6,279,944</u>	<u>\$ (1,417,126)</u>	<u>\$ (2,112,197)</u>	<u>\$ 1,336,274</u>	<u>\$ (2,022,150)</u>	<u>\$ 1,103,260</u>	<u>\$ (206,308)</u>	<u>\$ 2,961,697</u>

TOWN OF ROCKY MOUNTAIN HOUSE
NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Rocky Mountain House 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 Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town of Rocky Mountain House are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of 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 is fifty percent of the Rocky Mountain House Municipal Airport.

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, 2011****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(c) Use of Estimates**

The preparation of the consolidated financial statements 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 consolidated financial statements and the reported amounts of revenues and expenditures during the reporting period. Where estimation uncertainty exists, the consolidated 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, the useful lives and related amortization of tangible capital assets, employee benefit obligations, provision for landfill rehabilitation and contingent liabilities and commitments are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the consolidated financial statements.

(d) 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.

(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) 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.

TOWN OF ROCKY MOUNTAIN HOUSE**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(g) Inventories for Resale**

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.

(h) 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.

(i) 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 estimated of the amounts can be determined.

TOWN OF ROCKY MOUNTAIN HOUSE

**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Non-Financial Assets

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

(i) Tangible Capital Assets

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

	YEARS
Land Improvements	- 15-20
Buildings	- 25-50
Engineered structures	-
Water System	- 35-65
Wastewater System	- 35-65
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 first-in first-out basis and net realizable value.

TOWN OF ROCKY MOUNTAIN HOUSE

**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

2. CASH AND TEMPORARY INVESTMENTS

	2011	2010
Cash and term deposits	\$11,920,894	\$ 8,955,673
Temporary Investments	<u>125,055</u>	<u>94,056</u>
	<u>\$12,045,949</u>	<u>\$ 9,049,729</u>

Cash includes amounts held in bank chequing and savings accounts earning interest at interest rates ranging from 0.1% to 3.0%.

Temporary investments are short-term deposits with original maturities of twelve months or less. The average effective interest rate at year end is 1.46% (2010 - 1.13%)

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2011	2010
Current taxes and grants in place of taxes	\$ 162,770	\$ 153,787
Arrears taxes	<u>33,573</u>	<u>37,970</u>
	<u>\$ 196,343</u>	<u>\$ 191,757</u>

4. DEFERRED REVENUE

	2011	2010
Prepaid local improvements	\$ 95,652	\$ 103,416
Deferred Revenue	392,960	817,696
Deferred projects	96,579	95,486
Deferred Capital Grants	1,465,664	675,623
Other	<u>14,576</u>	<u>14,010</u>
	<u>\$ 2,065,431</u>	<u>\$ 1,706,231</u>

Prepaid local improvement charges are being amortized to revenue over the life of the corresponding debentures with terms ranging from 1 to 18 years.

Deferred Capital Grants relate to government funding received for specific capital projects not yet completed, and will be recognized as revenues when the projects are completed.

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

TOWN OF ROCKY MOUNTAIN HOUSE

**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

5. EMPLOYEE BENEFIT OBLIGATIONS

	2011	2010
Bank time	\$ 21,946	\$ 27,100
Vacation	<u>262,464</u>	<u>218,921</u>
	<u>\$ 284,410</u>	<u>\$ 246,021</u>

Vacation and bank 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.

6. LONG TERM DEBT

	2011	2010
Tax supported debentures	\$ 1,569,474	\$ 1,911,662
Self supported debentures	<u>6,100,638</u>	<u>6,415,225</u>
	<u>\$ 7,670,112</u>	<u>\$ 8,326,887</u>

The current portion of the long-term debt amounts to \$645,676 (2010 - \$656,774)

Principal and interest repayments are due as follows:

	PRINCIPAL	INTEREST	TOTAL
2012	\$ 645,676	\$ 361,554	\$ 1,007,230
2013	571,400	330,019	901,419
2014	549,819	300,788	850,607
2015	577,788	272,820	850,608
2016	586,257	243,391	829,648
Thereafter	<u>4,739,172</u>	<u>1,325,328</u>	<u>6,064,500</u>
	<u>\$ 7,670,112</u>	<u>\$ 2,833,900</u>	<u>\$ 10,504,012</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 0.0% to 6.5% per annum and mature in periods 2011 through 2030. The average annual interest rate is 4.91% for 2011 (4.81% for 2010).

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

Interest on long-term debt amounted to \$392,879 (2010 - \$354,704)

The Town's total cash payments for interest in 2011 were \$422,883 (2010- \$383,420)

TOWN OF ROCKY MOUNTAIN HOUSE

**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

7. 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:

	2011	2010
Total Debt Limit	\$ 20,300,000	\$ 19,500,000
Total debt	<u>7,670,112</u>	<u>8,326,887</u>
Amount of debt limit unused	<u>\$ 12,629,888</u>	<u>\$ 11,173,113</u>
Debt servicing limit	\$ 3,390,000	\$ 3,250,000
Debt servicing	<u>1,049,653</u>	<u>965,419</u>
Amount of debt servicing limit unused	<u>\$ 2,340,347</u>	<u>\$ 2,284,581</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.

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	2011	2010
Capital Assets (Schedule 2)	\$ 103,019,510	\$ 99,109,607
Accumulated amortization (Schedule 2)	(36,529,634)	(34,422,443)
Long - term capital debt	(7,670,112)	(8,326,887)
Long - term operating debt	<u>855,683</u>	<u>900,000</u>
	<u>\$ 59,675,447</u>	<u>\$ 57,260,277</u>

TOWN OF ROCKY MOUNTAIN HOUSE

**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

9. ACCUMULATED SURPLUS

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

	2011	2010
Unrestricted surplus	\$ 2,762,790	\$ 1,726,677
Restricted surplus	6,738,903	7,228,489
Equity in tangible capital assets	<u>59,675,447</u>	<u>57,260,277</u>
	<u>\$ 69,177,140</u>	<u>\$ 66,215,443</u>

RESTRICTED SURPLUS	Balance (Dec. 31, 2010)	Increases	Decreases	Balance (Dec. 31, 2011)
Operating contingency	\$ 556,250	\$ 56,250	\$ -	\$ 612,500
Capital - general	3,954,150	24,394	(545,199)	3,433,345
Airport - equipment	46,385	17,528	(11,077)	52,836
Water and sewer				
Infrastructure	283,101	130,000	-	413,101
RVB Special reserve	12,431	-	-	12,431
Land development	1,521,320	-	(200,898)	1,320,422
Off-site levies	427,613	1,862	-	429,475
Equipment replacement	68,490	232,000	(104,532)	195,958
42 Avenue collector reserve	92,406	-	-	92,406
42 Avenue intersection reserve	6,675	-	-	6,675
Boundary improvement reserve	55,824	-	-	55,824
Family Wellness reserve	105,426	-	(105,426)	-
46 St. Boundary reserve	46,053	5,421	-	51,474
Recreation equipment reserve	52,365	52,613	(42,522)	62,456
	<u>\$ 7,228,489</u>	<u>\$ 520,068</u>	<u>\$ (1,009,654)</u>	<u>\$ 6,738,903</u>

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

TOWN OF ROCKY MOUNTAIN HOUSE

**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

10. 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).

11. 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:

	<u>HONORARIUM SALARY</u>	<u>2011 BENEFITS & ALLOWANCES</u>	<u>TOTAL</u>	<u>2010 TOTAL</u>
COUNCILORS				
Sandy Andersen	\$ 21,995	\$ 553	\$ 22,548	\$ 3,697
Jim Bague	-	-	-	30,575
Ray Bott	-	-	-	15,282
Sheila Mizera	18,911	451	19,362	17,548
Ernie Murias	20,130	-	20,130	20,758
Fred Nash	38,247	-	38,247	8,650
Randy Saler	17,420	402	17,822	16,719
William Symko	18,295	-	18,295	18,134
Donald Verhesen	<u>20,675</u>	<u>509</u>	<u>21,184</u>	<u>21,609</u>
	<u>\$ 155,673</u>	<u>\$ 1,915</u>	<u>\$ 157,588</u>	<u>\$ 152,972</u>
 Town Manager - Becker	 \$ 122,437	 \$ 24,104	 \$ 146,541	 \$ 113,804
	<u>\$ 122,437</u>	<u>\$ 24,104</u>	<u>\$ 146,541</u>	<u>\$ 113,804</u>

Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

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.

Benefits and allowances figures also include the 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.

TOWN OF ROCKY MOUNTAIN HOUSE**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011****12. 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 200,000 people and about 418 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 service contributions to the LAPP of 9.49% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.13% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.13% on pensionable salary above this amount.

Total current and past service contributions by the Town of Rocky Mountain House to the Local Authorities Pension Plan in 2011 were \$302,195 (2010 - \$281,808). Total current service contributions by the employees of the Town of Rocky Mountain House to the Local Authorities Pension Plan in 2011 were \$272,608 (2010 - \$252,877).

At December 31, 2010 the plan disclosed an actuarial deficiency of \$4,635.3 million (2009 - \$1,288.9 million).

TOWN OF ROCKY MOUNTAIN HOUSE**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011****13. CONTINGENCIES****(a) Regional Waste Authority**

Pursuant to an agreement entered into in 2001, the Town of Rocky Mountain House, 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 is governed by its own board of directors.

The Town, the Clearwater County and the Village of Caroline may be jointly responsible for the defence of any claims brought against the Authority

(b) Legal Actions

The Town is a defendant in various lawsuits as at December 31, 2011. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition, and the amount of loss can be reasonably estimated, amounts have been included within accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded. The Town's Administration believes there will be no material adverse effect on the financial position of the Town.

(c) 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. Any further costs are being recognized as they occur as a reasonable estimate of the total liability can not be made at this point.

14. RELATED PARTY TRANSACTIONS

During the year requisitions were paid to the Rocky Mountain Regional Solid Waste Authority in the amount of \$237,407 (2010 - \$153,842). The Town of Rocky Mountain House is related to the Rocky Mountain Regional Solid Waste Authority by having two of six board members.

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.

TOWN OF ROCKY MOUNTAIN HOUSE**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011****15. FINANCIAL INSTRUMENTS**

The Town's financial instruments consist of cash and temporary investments, taxes and grants receivable, trade and other receivables, accounts payable and accrued liabilities, and long term debt. It is management's opinion that the Town is not exposed to significant cash flow or currency risks arising from these financial instruments.

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

The Town is exposed to some possible credit risk due to the concentration of amounts receivable from other governments which comprises 25% of the total amounts receivable.

The Town is exposed to interest rate risk to the extent that the carrying value of its long-term debt are at fixed rates of interest.

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

16. BUDGET AMOUNTS

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

17. APPROVAL OF FINANCIAL STATEMENTS

These financial statements are approved by Council and management April 3, 2012.