

**TOWN OF ROCKY MOUNTAIN HOUSE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**



## Wade Noble & Partners LLP

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### 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 the Town of Rocky Mountain House, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated 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 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 consolidated 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, 2017, 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.

#### *Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 2 of the consolidated financial statements which indicates that the comparative information presented as at and for the year ended December 31, 2016 has been restated.

*Wade Noble & Partners LLP*

Rocky Mountain House, Alberta  
May 14, 2019

Chartered Accountants

## TOWN OF ROCKY MOUNTAIN HOUSE

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**

	2017	2016 (Restated) (Note 2)
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 3)	\$ 10,512,375	\$ 7,640,222
Receivables		
Taxes receivable (Note 4)	433,224	295,112
Trade and other receivables (Note 5)	5,669,014	5,744,279
GST receivable	159,173	110,300
Land for resale inventory	<u>1,623,434</u>	<u>1,976,578</u>
	<u>18,397,220</u>	<u>15,766,491</u>
<b>LIABILITIES</b>		
Bank demand loan (Note 6)	\$ -	\$ 952,702
Accounts payable and accrued liabilities (Note 7)	2,049,326	1,865,337
Accounts payable - tangible capital assets	105,216	438,769
Payroll remittances payable	67,574	27,116
Security deposits (Note 8)	212,555	223,900
Deferred revenue (Note 9)	3,278,873	1,746,825
Long term debt (Note 10)	<u>6,741,699</u>	<u>7,637,526</u>
	<u>12,455,243</u>	<u>12,892,175</u>
<b>NET FINANCIAL ASSETS</b>	<u>5,941,977</u>	<u>2,874,316</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	88,484,634	90,287,005
Tangible capital assets in progress	49,251	-
Inventory for consumption	221,541	221,541
Prepaid expenses	<u>25,732</u>	<u>4,773</u>
	<u>88,781,158</u>	<u>90,513,319</u>
<b>ACCUMULATED SURPLUS</b> (Schedule 1, Note 13)	<u>\$ 94,723,135</u>	<u>\$ 93,387,635</u>

*Commitments and Contingencies - See Notes 14, 16, 17, and 18*

See accompanying schedules and notes to the financial statements.

## TOWN OF ROCKY MOUNTAIN HOUSE

**CONSOLIDATED STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2017**

	Budget (Unaudited)	2017	2016 (Restated) (Note 2)
<b>REVENUE</b>			
Net municipal taxes (Schedule 3)	\$ 8,338,259	\$ 8,531,060	\$ 8,235,095
User fees and sale of goods	5,541,778	5,617,436	5,082,788
Government transfers for operating (Schedule 4)	2,735,248	3,549,244	3,294,566
Investment income	100,000	130,548	106,176
Penalties and costs of taxes	70,000	97,479	68,280
Franchise and concessions	1,056,244	1,193,948	1,073,299
Sponsorships and advertising	-	154,968	155,180
<b>Total Revenue</b>	<u>17,841,529</u>	<u>19,274,683</u>	<u>18,015,384</u>
<b>EXPENDITURES</b>			
Legislative	286,670	247,643	233,689
Administration	2,745,099	2,382,506	1,501,225
Police	2,126,625	2,097,809	1,965,591
Fire and by-law enforcement	1,230,943	893,091	1,060,799
Common services	913,580	886,462	746,127
Roads	1,978,988	1,979,241	2,173,335
Airport	106,956	218,565	200,826
Water and wastewater	2,615,058	2,532,364	2,442,609
Waste management	1,185,198	1,159,820	1,178,925
Economic development	390,097	448,381	482,872
Subdivision land development	380,156	261,000	352,570
Recreation and parks	3,781,571	4,202,005	3,755,887
Library	322,507	305,712	286,299
Community hall	191,094	206,551	205,530
Public Health	746,880	766,935	787,509
Other	56,861	39,743	43,252
Gain on disposal of tangible capital assets	-	(83,559)	(46,280)
<b>Total Expenditures</b>	<u>19,058,283</u>	<u>18,544,269</u>	<u>17,370,765</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES - BEFORE OTHER</b>	<b>(1,216,754)</b>	<b>730,414</b>	<b>644,619</b>
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	<u>383,500</u>	<u>605,086</u>	<u>3,781,880</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>(833,254)</b>	<b>1,335,500</b>	<b>4,426,499</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>93,387,635</u>	<u>93,387,635</u>	<u>88,961,136</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 92,554,381</u>	<u>\$ 94,723,135</u>	<u>\$ 93,387,635</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, 2017**

	Budget (Unaudited)	2017	2016 (Restated) (Note 2)
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	\$ <u>(833,254)</u>	\$ <u>1,335,500</u>	\$ <u>4,426,499</u>
Acquisition of tangible capital assets	(1,348,002)	(1,761,191)	(15,991,245)
Proceeds on disposal of tangible capital assets	-	174,842	49,780
Amortization of tangible capital assets	2,783,156	3,472,279	3,166,034
Gain on disposal of tangible capital assets	-	(83,559)	(46,280)
	<u>1,435,154</u>	<u>1,802,371</u>	<u>(12,821,711)</u>
Net use (acquisition) of supplies inventories	-	-	23,982
Net acquisition of prepaid assets	-	(20,959)	(4,773)
Net acquisition of tangible capital assets in progress	-	(49,251)	-
	<u>-</u>	<u>(70,210)</u>	<u>19,209</u>
<b>(INCREASE) DECREASE IN NET DEBT</b>	<b>601,900</b>	<b>3,067,661</b>	<b>(8,376,003)</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>2,874,316</u>	<u>2,874,316</u>	<u>11,250,319</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>\$ 3,476,216</u>	<u>\$ 5,941,977</u>	<u>\$ 2,874,316</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, 2017**

	2017	2016 (Restated) (Note 2)
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Excess (deficit) Of Revenues Over Expenditures	\$ 1,335,500	\$ 4,426,499
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	3,472,279	3,166,034
Gain on disposal of tangible capital assets	(83,559)	(46,280)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes receivable	(138,112)	(120,698)
Decrease (increase) in trade and other receivables	(112,609)	(522,148)
Decrease (increase) in inventory of land for resale	-	-
Decrease (increase) in inventory for consumption	-	23,982
Decrease (increase) in prepaid expenses	(20,959)	(4,773)
Increase (decrease) in accounts payable and accrued liabilities	224,448	(1,164,660)
Increase (decrease) in deferred revenue	1,532,048	951,507
Increase (decrease) in security deposits	<u>(11,345)</u>	<u>39,177</u>
Cash provided by operating transactions	<u>6,197,691</u>	<u>6,748,640</u>
<b>CAPITAL</b>		
Purchase of property, plant and equipment	(978,514)	(5,020,031)
Acquisition of tangible capital assets - in progress	(49,251)	-
Grants and other contributions used for capital functions	(605,086)	(3,781,880)
Proceeds on sale of tangible capital assets	<u>155,842</u>	<u>49,780</u>
Cash applied to capital transactions	<u>(1,477,009)</u>	<u>(8,752,131)</u>
<b>FINANCING</b>		
Long-term debt repaid	(895,827)	(933,306)
Repayment of demand loans	<u>(952,702)</u>	<u>(2,047,298)</u>
Cash provided by financing transactions	<u>(1,848,529)</u>	<u>(2,980,604)</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>2,872,153</b>	<b>(4,984,095)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>7,640,222</u>	<u>12,624,317</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 10,512,375</u>	<u>\$ 7,640,222</u>

For distribution of cash and cash equivalents, see Note 3.

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, 2017  
SCHEDULE 1**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017 TOTAL	2016 TOTAL (Restated) (Note 2)
<b>BALANCE, BEGINNING OF YEAR</b> (Restated) (Note 2)	\$ <u>3,892,983</u>	\$ <u>3,183,130</u>	\$ <u>86,311,522</u>	\$ <u>93,387,635</u>	\$ <u>88,961,136</u>
Excess (deficit) Of Revenues Over Expenditures	1,335,500	-	-	1,335,500	4,426,499
Restricted funds used for operations	58,281	(58,281)	-	-	-
Unrestricted funds designated for future use	(2,755,832)	2,755,832	-	-	-
Capital funding received (repaid)	(549,385)	-	549,385	-	-
Funds used for tangible capital assets	(799,456)	(961,735)	1,761,191	-	-
Disposal of tangible capital assets	91,283	-	(91,283)	-	-
Annual amortization expense	3,472,279	-	(3,472,279)	-	-
Capital long-term debt repaid	<u>(857,347)</u>	<u>-</u>	<u>857,347</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>(4,677)</u>	<u>1,735,816</u>	<u>(395,639)</u>	<u>1,335,500</u>	<u>4,426,499</u>
<b>BALANCE, END OF YEAR</b>	\$ <u><u>3,888,306</u></u>	\$ <u><u>4,918,946</u></u>	\$ <u><u>85,915,883</u></u>	\$ <u><u>94,723,135</u></u>	\$ <u><u>93,387,635</u></u>

## TOWN OF ROCKY MOUNTAIN HOUSE

**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
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>2017 TOTAL</u>	<u>2016 TOTAL (Restated) (Note 2)</u>
<b>COST</b>								
BALANCE, BEGINNING OF YEAR (Restated) (Note 2)	\$ 5,993,636	\$ 6,938,427	\$ 27,463,540	\$ 91,135,110	\$ 5,175,143	\$ 3,152,357	\$ 139,858,213	\$ 123,898,287
Acquisition of tangible capital assets	30,382	-	947,692	396,241	319,656	67,220	1,761,191	15,991,245
Disposal of tangible capital assets	<u>(1,650)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(230,923)</u>	<u>(136,891)</u>	<u>(369,464)</u>	<u>(31,319)</u>
BALANCE, END OF YEAR	<u>\$ 6,022,368</u>	<u>\$ 6,938,427</u>	<u>\$ 28,411,232</u>	<u>\$ 91,531,351</u>	<u>\$ 5,263,876</u>	<u>\$ 3,082,686</u>	<u>\$ 141,249,940</u>	<u>\$ 139,858,213</u>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR (Restated) (Note 2)	\$ -	\$ 4,778,661	\$ 5,109,569	\$ 34,878,630	\$ 3,061,575	\$ 1,742,773	\$ 49,571,208	\$ 46,432,993
Annual Amortization	-	353,355	680,758	1,938,370	316,727	183,069	3,472,279	3,166,034
Accumulated amortization on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(171,267)</u>	<u>(106,914)</u>	<u>(278,181)</u>	<u>(27,819)</u>
BALANCE, END OF YEAR	<u>-</u>	<u>5,132,016</u>	<u>5,790,327</u>	<u>36,817,000</u>	<u>3,207,035</u>	<u>1,818,928</u>	<u>52,765,306</u>	<u>49,571,208</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>\$ 6,022,368</u>	<u>\$ 1,806,411</u>	<u>\$ 22,620,905</u>	<u>\$ 54,714,351</u>	<u>\$ 2,056,841</u>	<u>\$ 1,263,758</u>	<u>\$ 88,484,634</u>	<u>\$ 90,287,005</u>



## TOWN OF ROCKY MOUNTAIN HOUSE

**CONSOLIDATED SCHEDULE OF PROPERTY AND OTHER TAXES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
SCHEDULE 3**

	<b>Budget (Unaudited)</b>	<b>2017</b>	2016 (Restated) (Note 2)
<b>TAXATION</b>			
Residential, industrial and commercial	\$ 10,857,105	\$ 11,066,909	\$ 10,745,405
Linear Property	120,921	148,476	121,559
Railway	-	4,260	5,880
Machinery and Equipment	2,300	1,765	2,301
Federal Government	<u>20,842</u>	<u>8,930</u>	<u>20,842</u>
	<u>11,001,168</u>	<u>11,230,340</u>	<u>10,895,987</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	2,593,647	2,624,552	2,593,647
Westview Lodge	<u>69,262</u>	<u>74,728</u>	<u>67,245</u>
	<u>2,662,909</u>	<u>2,699,280</u>	<u>2,660,892</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 8,338,259</u>	<u>\$ 8,531,060</u>	<u>\$ 8,235,095</u>

## TOWN OF ROCKY MOUNTAIN HOUSE

**CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
SCHEDULE 4**

	<b>Budget (Unaudited)</b>	<b>2017</b>	<b>2016 (Restated) (Note 2)</b>
<b>TRANSFERS FOR OPERATING</b>			
Other Local Governments	\$ 1,831,360	\$ 2,149,994	\$ 2,227,060
Provincial Government	903,888	1,397,054	1,067,506
Federal Government	-	2,196	-
	<u>2,735,248</u>	<u>3,549,244</u>	<u>3,294,566</u>
<b>TRANSFERS FOR CAPITAL</b>			
Other Local Governments	383,500	359,256	2,407,051
Provincial Government	-	-	985,577
Federal Government	-	245,830	389,252
	<u>383,500</u>	<u>605,086</u>	<u>3,781,880</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 3,118,748</u>	<u>\$ 4,154,330</u>	<u>\$ 7,076,446</u>

## TOWN OF ROCKY MOUNTAIN HOUSE

**SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT  
FOR THE YEAR ENDED DECEMBER 31, 2017  
SCHEDULE 5**

<b>CONSOLIDATED EXPENSES BY OBJECT</b>	<b>Budget (Unaudited)</b>	<b>2017</b>	<b>2016 (Restated) (Note 2)</b>
Salaries, wages and benefits	\$ 6,971,652	\$ 6,363,068	\$ 5,549,780
Contracted and general services	6,353,574	6,274,696	5,686,361
Materials, goods and utilities	1,859,024	1,761,245	1,790,728
Bank charges and short term interest	51,000	65,480	60,593
Interest on long term debt	172,554	329,547	387,856
Transfers to local boards and organizations	867,323	361,513	775,693
Amortization of Tangible Capital Assets	2,783,156	3,472,279	3,166,034
Gain on disposal of tangible capital assets	<u>-</u>	<u>(83,559)</u>	<u>(46,280)</u>
	<u>\$ 19,058,283</u>	<u>\$ 18,544,269</u>	<u>\$ 17,370,765</u>

## TOWN OF ROCKY MOUNTAIN HOUSE

**CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2017  
SCHEDULE 6**

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation Services</u>	<u>Planning &amp; Development</u>	<u>Recreation &amp; Culture</u>	<u>Environmental Services</u>	<u>Other</u>	<u>TOTAL</u>
<b>REVENUE</b>								
Net municipal taxes	\$ 8,531,060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,531,060
Government transfers	1,176,411	591,138	148,316	84,159	1,549,760	(65,000)	669,546	4,154,330
User fees and sales of goods	62,900	216,075	86,880	523,204	977,962	3,737,974	12,441	5,617,436
Investment Income	130,548	-	-	-	-	-	-	130,548
Other	<u>1,193,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,968</u>	<u>-</u>	<u>97,479</u>	<u>1,446,395</u>
	<u>\$ 11,094,867</u>	<u>\$ 807,213</u>	<u>\$ 235,196</u>	<u>\$ 607,363</u>	<u>\$ 2,682,690</u>	<u>\$ 3,672,974</u>	<u>\$ 779,466</u>	<u>\$ 19,879,769</u>
<b>EXPENSES</b>								
Contracted & general services	\$ 1,272,345	\$ 2,302,351	\$ 384,182	\$ 288,590	\$ 620,671	\$ 1,406,557	\$ -	\$ 6,274,696
Salaries & wages	974,690	545,594	886,542	387,762	2,828,362	740,118	-	6,363,068
Goods & supplies	45,721	23,294	577,428	26,470	710,051	378,281	-	1,761,245
Transfers to local boards	89,000	-	-	-	272,513	-	-	361,513
Interest expense & bank charges	109,738	-	50,690	-	78,275	156,324	-	395,027
Other expenses	<u>(83,559)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(83,559)</u>
	<u>2,407,935</u>	<u>2,871,239</u>	<u>1,898,842</u>	<u>702,822</u>	<u>4,509,872</u>	<u>2,681,280</u>	<u>-</u>	<u>15,071,990</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	8,686,932	(2,064,026)	(1,663,646)	(95,459)	(1,827,182)	991,694	779,466	4,807,779
<b>Amortization Expense</b>	<u>(58,061)</u>	<u>(119,661)</u>	<u>(1,286,120)</u>	<u>(12,540)</u>	<u>(1,078,608)</u>	<u>(917,289)</u>	<u>-</u>	<u>(3,472,279)</u>
<b>NET REVENUE</b>	<u>\$ 8,628,871</u>	<u>\$ (2,183,687)</u>	<u>\$ (2,949,766)</u>	<u>\$ (107,999)</u>	<u>\$ (2,905,790)</u>	<u>\$ 74,405</u>	<u>\$ 779,466</u>	<u>\$ 1,335,500</u>

**TOWN OF ROCKY MOUNTAIN HOUSE****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017****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 Chartered Professional Accountants of Canada. 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 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 consolidated 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 consolidated 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 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, 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 consolidated financial statements.

## TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(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) 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.

**(g) Requisition Over-levy and Under-levy**

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

**(h) Land for Resale Inventory**

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

**(i) 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.

**TOWN OF ROCKY MOUNTAIN HOUSE****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(j) Prepaid Local Improvement Charges**

Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowings. These levies are 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.

**(k) Employment benefits liabilities**

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

**(l) Government Transfers**

Government transfers are the transfer of assets from governments 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 consolidated 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, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(m) 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.

**(n) Cash Flow Reporting**

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



## TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017

## 2. PRIOR PERIOD ADJUSTMENTS

## 1) Curling Rink Renovations:

In 2014 the Town began a substantial renovation project to upgrade and connect the existing Curling Rink and Arena buildings into the Recreation Complex. The existing Curling Rink building is owned by the Rocky Curling Club, and the existing Arena building and new expansion is owned by the Town. Pursuant to a Memorandum of Understanding with the Rocky Curling Club, the Town incurred all renovation costs toward which the Curling Club will contribute a total of \$1,500,000 over ten years. The total estimated cost of renovations to the Curling Rink was initially estimated at \$3,000,000 with the remaining \$1,500,000 representing funds granted to the Curling Club. The actual total project costs were \$3,337,810, with \$1,837,810 representing funds granted to the Curling Club in 2015. Throughout the project, the Town's audited financial statements for the years ended December 31, 2014, 2015 and 2016 reported the entire renovation cost as improvements to the Town's tangible capital asset - buildings, and no amount was recognized for the grant provided to the Curling Club.

Management has now removed this cost from the Town's TCA - Buildings, recognizing the amount receivable from and grant funding provided to the organization in respect of this cost.

These changes have been applied retroactively and the 2016 comparative figures have been restated as follows:

	Increase (decrease) to balance
<b>Financial assets:</b>	
Trade and other receivables	\$ 1,655,616
<b>Financial liabilities:</b>	
Deferred revenue	(248,000)
<b>Non-financial assets:</b>	
Tangible Capital Assets - Cost	(3,337,810)
Tangible Capital Assets - Accumulated Amortization	272,660
<b>Revenues:</b>	
Sponsorships and advertising	(30,000)
Other Local Governments - transfers for capital	133,329
<b>Expenditures:</b>	
Parks and recreation (amortization expense)	(151,779)
<b>Net assets:</b>	
Unrestricted Surplus (deficit)	(414,211)
Restricted Surplus	(1,611,003)
Equity In Tangible Capital Assets	863,680

**TOWN OF ROCKY MOUNTAIN HOUSE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**2. PRIOR PERIOD ADJUSTMENTS (continued)**

**2) MSI - Capital funding:**

In 2016 the Town recognized Federal capital grant funding revenue regarding MSI capital funding received; however, the grant funding was not in fact applied to the project as anticipated, and therefore deferred capital revenue and federal capital grant revenue was overstated.

These changes have been applied retroactively and the 2016 comparative figures have been restated as follows:

	Increase (decrease) to balance
<b>Financial liabilities:</b>	
Deferred revenue	\$ 672,469
<b>Revenues:</b>	
Provincial Government - transfers for capital	(672,469)
<b>Net assets:</b>	
Unrestricted Surplus (deficit)	(672,469)

## TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017

## 3. CASH AND TEMPORARY INVESTMENTS

The amounts receivable consist of:

	2017	2016
Cash	\$ 10,348,121	\$ 7,531,341
Credit Union shares	999	972
Airport investment	<u>163,255</u>	<u>107,909</u>
	<u>\$ 10,512,375</u>	<u>\$ 7,640,222</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 0.8% to 1.15% per annum. Cash also includes amounts held in a savings account earning interest at 0.5% per annum.

The Town has available a \$1,500,000 revolving operating demand loan available by way of prime-based loans bearing interest at the bank's prime rate less 0.25% per annum payable on the last day of each month, maturing and renewed each year on December 31, of which \$nil (2016 - \$nil) is drawn at year end. Effective interest rate at year end is 2.95% (2016 - 2.45%).

Under the terms of this agreement, the Town may not operate accounts with or otherwise conduct any banking business with any financial institutions other than the lender; throughout the year the Town has conducted banking business with 2 financial institutions.

## 4. TAXES RECEIVABLE

The amounts receivable consist of:

	2017	2016
Current taxes	\$ 300,922	\$ 197,475
Arrears taxes	<u>132,302</u>	<u>97,637</u>
	<u>\$ 433,224</u>	<u>\$ 295,112</u>

## 5. TRADE AND OTHER RECEIVABLES

The trade and other receivable consist of:

	2017	2016 (Restated) (Note 2)
Other trade receivables	\$ 526,725	\$ 363,171
Utilities receivable	468,770	397,866
Government grants for operating costs	1,148,006	1,054,412
Government grants for capital costs	2,692,513	2,956,830
Other receivable for capital costs (Note 14)	<u>833,000</u>	<u>972,000</u>
	<u>\$ 5,669,014</u>	<u>\$ 5,744,279</u>

## TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017**6. BANK DEMAND LOAN**

The Town had available a revolving demand loan in the amount of \$3,000,000 payable on demand, bearing interest at 2.29% per annum, with a 36 month amortization term, to be used for water and sewer replacement, secured by a General Security Agreement covering all assets of the Town. At December 31, 2017 \$nil (2016 - \$952,702) was borrowed against this loan. Annual interest payments are required to be made twelve months after the first advance, with periodic principal payments to be made from receipt of grant funds earmarked for this project.

The total cash payments for interest on the bank demand loan paid in 2017 was \$9,145 (2016 - \$65,106).

**7. EMPLOYEE BENEFIT OBLIGATIONS**

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

	2017	2016
Bank time	\$ 29,733	\$ 34,574
Vacation time	166,007	207,699
Sick time	<u>135,967</u>	<u>195,640</u>
	<u>\$ 331,707</u>	<u>\$ 437,913</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.

**Sick time**

The sick time liability is Administration'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 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 30% of the accrued sick hours will be used.

**8. 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, 2017

## 9. DEFERRED REVENUE

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

	Balance 2016 (Restated) (Note 2)	Increases	Decreases	Balance 2017
Prepaid local improvements	\$ 93,160	\$ 101,763	\$ (86,175)	\$ 108,748
Overpayment of taxes	26,743	27,074	(26,743)	27,074
Deferred projects	195,670	2,050	(99,230)	98,490
Deferred operating revenue	488,459	436,372	(419,379)	505,452
Deferred recreational sponsorship revenue	106,566	149,206	(144,968)	110,804
Deferred Museum lands enhancement project revenue	150,000	2,635	-	152,635
Deferred capital grants	686,227	2,842,502	(1,288,702)	2,240,027
Requisition over-levy	-	35,643	-	35,643
	<u>\$ 1,746,825</u>	<u>\$ 3,597,245</u>	<u>\$ (2,065,197)</u>	<u>\$ 3,278,873</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 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 2016 (Restated) (Note 2)	Increases	Decreases	Balance 2017
Municipal Sustainability Initiative Grant	\$ 672,469	\$ 1,649,641	\$ -	\$ 2,322,110
Federal Gas Tax Fund	-	-	(95,841)	(95,841)
Gruber Street Light Reserve	13,188	-	-	13,188
Other local government capital contributions	-	1,042,872	(1,042,872)	-
Other Federal Government Grants	-	149,989	(149,989)	-
Other deferred capital revenues	570	-	-	570
	<u>\$ 686,227</u>	<u>\$ 2,842,502</u>	<u>\$ (1,288,702)</u>	<u>\$ 2,240,027</u>

## TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017

## 10. LONG TERM DEBT

	2017	2016
Tax supported debentures	\$ 2,660,912	\$ 3,197,972
Self supported debentures	<u>4,080,787</u>	<u>4,439,554</u>
	<u>\$ 6,741,699</u>	<u>\$ 7,637,526</u>

The current portion of the long-term debt amounts to \$781,843 (2016 - \$895,827).

Principal and interest repayments are due as follows:

	PRINCIPAL	INTEREST	TOTAL
2018	\$ 781,843	\$ 248,402	\$ 1,030,245
2019	812,197	218,047	1,030,244
2020	700,189	186,350	886,539
2021	723,955	162,583	886,538
2022	748,594	137,944	886,538
Thereafter	<u>2,974,921</u>	<u>386,540</u>	<u>3,361,461</u>
	<u>\$ 6,741,699</u>	<u>\$ 1,339,866</u>	<u>\$ 8,081,565</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 2028. The average annual interest rate is 4.52% (2016 - 4.52%).

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

## 11. 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:

	2017	2016 (Restated) (Note 2)
Total Debt Limit	\$ 28,912,025	\$ 27,075,858
Total debt	<u>6,741,699</u>	<u>8,590,228</u>
Amount of debt limit unused	<u>\$ 22,170,326</u>	<u>\$ 18,485,630</u>
Debt servicing limit	\$ 4,818,671	\$ 4,512,643
Debt servicing	<u>1,030,245</u>	<u>2,133,964</u>
Amount of debt servicing limit unused	<u>\$ 3,788,426</u>	<u>\$ 2,378,679</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, 2017

## 12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016 (Restated) (Note 2)
Capital Assets (Schedule 2)	\$ 141,249,940	\$ 139,858,213
Accumulated amortization (Schedule 2)	(52,765,306)	(49,571,208)
Long-term debt	(6,741,699)	(8,590,228)
Long-term operating debt	647,435	685,915
Amounts receivable for capital assets	<u>3,525,513</u>	<u>3,928,830</u>
	<u>\$ 85,915,883</u>	<u>\$ 86,311,522</u>

## TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017

## 13. ACCUMULATED SURPLUS

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

	2017	2016 (Restated) (Note 2)
Unrestricted surplus	\$ 3,888,306	\$ 3,892,983
Restricted surplus	4,918,946	3,183,130
Equity in tangible capital assets	<u>85,915,883</u>	<u>86,311,522</u>
	<u>\$ 94,723,135</u>	<u>\$ 93,387,635</u>

RESTRICTED SURPLUS	Balance 2016 (Restated) (Note 2)	Increases	Decreases	Balance 2017
Operating contingency	\$ (152,762)	\$ 570,931	\$ (418,169)	\$ -
Operations / Recreation / Bylaw				
Equipment reserve	363,259	545,812	(288,906)	620,165
Recreation reserve	-	43,577	-	43,577
Council Contingency	942	100,000	(5,595)	95,347
Computer reserve	70,032	-	(39,018)	31,014
Post House reserve	15,437	10,416	-	25,853
Creekside Housing reserve	12,416	3,451	-	15,867
Snow reserve	53,935	45,269	-	99,204
Building maintenance reserve	412,775	237,267	(168,814)	481,228
Environmental Sustainability				
reserve	430,694	274,680	(76,568)	628,806
Airport - equipment	53,955	62,177	(10,950)	105,182
Water and sewer Infrastructure	232,740	658,436	(11,996)	879,180
RVB Special reserve	12,431	-	-	12,431
Land development	738,074	110,333	-	848,407
Off-site levies	683,446	93,483	-	776,929
42 Avenue collector reserve	106,020	-	-	106,020
42 Avenue intersection reserve	20,756	-	-	20,756
Boundary improvement reserve	55,824	-	-	55,824
46 St. Boundary reserve	73,156	-	-	73,156
	<u>\$ 3,183,130</u>	<u>\$ 2,755,832</u>	<u>\$ (1,020,016)</u>	<u>\$ 4,918,946</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, 2017

## 14. 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:

2018	\$	133,206
2019		127,206
2020		127,206
2021		127,206
2022		127,206
Thereafter		<u>304,412</u>
	\$	<u>946,442</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. 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.

2018	\$	139,000
2019		139,000
2020		139,000
2021		139,000
2022		139,000
Thereafter		<u>138,000</u>
	\$	<u>833,000</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. No future receipts have been accrued in these financial statements. Anticipated future receipts under this agreement are:

2018	\$	750,000
2019		<u>750,000</u>
	\$	<u>1,500,000</u>

In 2010, the Town and County as joint landlords entered into a triple net lease agreement for the lease of a municipally owned building. Estimated maximum future receipts under this agreement are:

2018	\$	9,408
2019		9,408
2020		9,408
2021		9,408
2022		9,408
Thereafter		<u>23,520</u>
	\$	<u>70,560</u>

## TOWN OF ROCKY MOUNTAIN HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017

## 15. SALARY &amp; 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	2017			2016
	HONORARIUM SALARY <sup>1</sup>	BENEFITS & ALLOWANCES <sup>2</sup>	TOTAL	TOTAL
Jason Alderson	\$ 20,006	\$ 1,638	\$ 21,644	\$ 22,551
Randy Brown	4,823	1,209	6,032	-
Tammy Burke	23,342	4,552	27,894	25,526
Scott Collinson	4,681	732	5,413	-
Merrin Fraser	4,293	1,918	6,211	-
Sheila Mizera	14,578	92	14,670	21,871
Michelle Narang	4,823	1,215	6,038	-
Fred Nash	29,650	502	30,152	41,390
Len Phillips	5,107	1,349	6,456	-
Randall Sugden	15,134	-	15,134	20,549
Manfred Ullman	14,436	-	14,436	20,432
Donald Verhesen	13,725	-	13,725	20,848
	<u>\$ 154,598</u>	<u>\$ 13,207</u>	<u>\$ 167,805</u>	<u>\$ 173,167</u>
CAO - Anderson (interim)	\$ 5,151	\$ -	\$ 5,151	\$ -
CAO - Todd Becker	120,219	18,741	138,960	203,601
CAO - Newman (interim)	81,801	-	81,801	-
	<u>\$ 207,171</u>	<u>\$ 18,741</u>	<u>\$ 225,912</u>	<u>\$ 203,601</u>

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, compensated absences and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

**TOWN OF ROCKY MOUNTAIN HOUSE****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017****16. 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 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 service contributions to the LAPP of 11.39% (2016 - 11.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% (2016 - 15.84%) on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 10.39% (2016 - 10.39%) of pensionable salary up to the year's maximum pensionable salary and 14.84% (2016 - 14.84%) 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 2017 were \$422,532 (2016 - \$422,532). Total current service contributions by the employees of the Town of Rocky Mountain House to the Local Authorities Pension Plan in 2017 were \$387,876 (2016 - \$387,876).

At December 30, 2016 the LAPP disclosed an actuarial deficiency of \$637 million (2015 - \$923 million).

**TOWN OF ROCKY MOUNTAIN HOUSE****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017****17. CONTINGENCIES****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 (the "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. Management is not aware of any active claims against the Authority at December 31, 2017.

**Legal Actions**

The Town has various lawsuits outstanding as at December 31, 2017. 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.

No losses have been recorded in these financial statements, as all lawsuits are being handled and related damages will be covered by the insurance company. The Town's Administration believes there will be no material adverse effect on the financial position of the Town related to outstanding lawsuits.

**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 consolidated 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.

**18. 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 2017 are \$2,097,809 (2016 - \$1,965,591). The Town received Provincial grants to assist with the cost sharing in the amount of \$458,967 (2016 - \$423,116).

**19. 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).

**20. 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, 2017****21. FINANCIAL INSTRUMENTS**

The Town of Rocky Mountain House's financial instruments include cash and temporary investments, taxes receivable, trade and other receivables, bank demand loan, 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 an obligation. 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 80% of the amounts receivable is due from three entities (2016 - 72%; two 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, 2017**

**22. 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 \$968,747 (2016 - \$875,452).

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.

**23. TRUST FUNDS**

The Town of Rocky Mountain House administers the following trust:

	2017	2016
Cemetery Perpetual Care		
Balance, beginning of year	\$ 60,947	\$ 57,198
Sale of cemetery plots	2,050	3,175
Repurchase of cemetery plots	(54)	-
Interest	-	574
Balance, end of year	<u>\$ 62,943</u>	<u>\$ 60,947</u>

**24. BUDGET AMOUNTS**

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

**25. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements are approved by Council and management May 14, 2019.