

Independent Auditor's Report

To the Reeve and Members of Council of Rocky View County:

Opinion

We have audited the financial statements of Rocky View County (the "County"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net financial assets, cash flows and the related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the County as at December 31, 2019, and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the County in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Red Deer, Alberta

May 26, 2020

MNP LLP

Chartered Professional Accountants

ROCKY VIEW COUNTY
Statement of Financial Position
As at December 31, 2019

	2019 \$	2018 \$
FINANCIAL ASSETS		
Cash (Note 3)	8,321,047	3,663,603
Temporary investments (Note 2)	114,676,853	103,588,124
Receivables		
Taxes and grants in place of taxes (Note 4)	4,066,184	3,485,220
Trade and other receivables (Note 4)	8,812,268	13,050,685
Debt charges recoverable (Note 5)	589,864	646,752
	<u>136,466,216</u>	<u>124,434,384</u>
LIABILITIES		
Accounts payable and accrued liabilities	8,275,577	11,479,897
Deposit liabilities	7,457,008	6,460,545
Deferred revenue (Note 6)	32,694,208	29,087,162
Employee benefit obligations (Note 7)	1,461,624	1,157,476
Landfill closure and post-closure costs (Note 17)	438,156	483,876
Long-term debt (Note 8)	49,151,103	53,340,042
Capital lease obligations (Note 9)	-	36,308
	<u>99,477,676</u>	<u>102,045,306</u>
NET FINANCIAL ASSETS	<u>36,988,540</u>	<u>22,389,078</u>
NON- FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	632,631,458	620,385,457
Resource asset	16,375,000	16,375,000
Inventory for consumption	1,589,958	1,455,505
Prepaid expenses	1,001,683	652,020
	<u>651,598,099</u>	<u>638,867,982</u>
ACCUMULATED SURPLUS (Schedule 1, Note 14)	<u>688,586,639</u>	<u>661,257,060</u>

Commitments and contingencies - See Note 11 and 12
The accompanying notes are an integral part of these financial statements

ROCKY VIEW COUNTY
Statement of Operations
For the Year Ended December 31, 2019

	Budget \$ (Note 21)	2019 \$	2018 \$
REVENUE			
Net municipal taxes (Schedule 3)	73,575,000	72,603,350	69,630,695
User fees and sales of goods	9,736,400	11,155,335	13,339,958
Cash-In-Lieu of Public Reserve	662,000	1,160,635	3,649,979
Government transfers for operating (Schedule 4)	9,083,400	2,756,798	2,988,886
Investment income	1,050,000	2,528,999	2,035,340
Penalties and cost of taxes	991,700	1,146,592	1,004,219
Development agreements and levies	7,566,300	3,432,449	8,123,695
Licenses and permits	2,936,500	3,237,380	3,461,623
Fines	825,300	1,164,623	1,097,512
Other	2,488,200	2,073,687	1,919,963
Total Revenue	<u>108,914,800</u>	<u>101,259,848</u>	<u>107,251,870</u>
EXPENSES			
Legislative	1,074,300	996,838	858,505
Administration	21,111,400	20,244,784	17,424,360
Fire	13,518,400	13,222,648	12,365,002
Disaster services	123,100	342,355	379,643
Bylaw enforcement	6,522,600	6,023,515	6,030,395
Transportation and field services	52,208,500	42,064,269	38,178,490
Water supply and distribution	4,636,100	4,927,000	4,654,526
Wastewater treatment and disposal	7,368,800	7,683,963	6,810,677
Waste management	2,455,000	2,262,808	1,913,363
Family and community support	1,143,300	1,137,189	1,066,231
Cemetery	1,347,900	1,395,219	1,266,056
Planning and development	4,847,600	3,860,821	3,882,699
Community services	2,459,300	2,249,522	2,153,938
Recreation and parks	5,094,400	3,561,812	3,735,625
Total Expenses	<u>123,910,700</u>	<u>109,972,743</u>	<u>100,719,510</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER	<u>(14,995,900)</u>	<u>(8,712,895)</u>	<u>6,532,360</u>
OTHER			
Gain on sale	-	12,837,196	-
Contributed assets	-	8,633,072	20,836,630
Government transfers for capital (Schedule 4)	40,499,600	14,572,206	23,178,475
Total Other	<u>40,499,600</u>	<u>36,042,474</u>	<u>44,015,105</u>
EXCESS OF REVENUE OVER EXPENSES	25,503,700	27,329,579	50,547,465
ACCUMULATED SURPLUS, BEGINNING OF YEAR	661,257,060	661,257,060	610,709,595
ACCUMULATED SURPLUS, END OF YEAR	<u>686,760,760</u>	<u>688,586,639</u>	<u>661,257,060</u>

The accompanying notes are an integral part of these financial statements

ROCKY VIEW COUNTY
Statement of Change in Net Financial Assets
For the Year Ended December 31, 2019

	Budget \$ (Note 21)	2019 \$	2018 \$
EXCESS OF REVENUE OVER EXPENSES	25,503,700	27,329,579	50,547,465
Acquisition of tangible capital assets	(68,191,200)	(28,908,304)	(38,361,974)
Contributed tangible capital assets	-	(8,633,072)	(20,836,630)
Proceeds on disposal of tangible capital assets	147,800	13,237,335	46,185
Amortization of tangible capital assets	24,242,700	24,895,236	23,255,449
Loss (Gain) on sale of tangible capital assets	-	(12,837,196)	(29,875)
	<u>(43,800,700)</u>	<u>(12,246,001)</u>	<u>(35,926,845)</u>
Use of (acquisition of) supplies inventories	-	(134,453)	492,832
Use of (acquisition of) prepaid assets	-	(349,663)	(122,826)
Use of (acquisition of) resource assets	-	-	-
	<u>-</u>	<u>(484,116)</u>	<u>370,006</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(18,297,000)	14,599,462	14,990,626
NET FINANCIAL ASSET, BEGINNING OF YEAR	<u>22,389,078</u>	<u>22,389,078</u>	<u>7,398,452</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>4,092,078</u></u>	<u><u>36,988,540</u></u>	<u><u>22,389,078</u></u>

The accompanying notes are an integral part of these financial statements

ROCKY VIEW COUNTY
Statement of Cash Flows
For the Year Ended December 31, 2019

	2019 \$	2018 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING ACTIVITIES		
Excess of revenue over expenses	27,329,579	50,547,465
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	24,895,236	23,255,449
Loss (Gain) on disposal of tangible capital assets	(12,837,196)	(29,875)
Tangible capital assets received as contributions	(8,633,072)	(20,836,630)
Non-cash charges to operations (net change):		
(Increase) in taxes and grants in place of taxes	(580,964)	(240,221)
(Increase) decrease in trade and other receivables	4,238,417	(3,887,477)
(Increase) decrease in inventory for consumption	(134,453)	492,832
Decrease (Increase) in prepaid expenses	(349,663)	(122,826)
Increase (decrease) in accounts payable and accrued liabilities	(3,204,320)	3,373,724
Increase in accounts payable amount applied to capital	718,468	1,419,492
Increase in deposit liabilities	996,463	1,409,922
Increase in deferred revenue	3,607,046	13,418,109
Increase in employee benefit obligations	304,148	80,567
Increase (Decrease) in provision for landfill closure and post-closure costs	(45,720)	(35,045)
Cash provided by (applied to) operating transactions	<u>36,303,969</u>	<u>68,845,486</u>
CAPITAL		
Accounts payable amount applied to capital	(718,468)	(1,419,492)
Acquisition of assets	(28,908,304)	(38,361,974)
Sale of tangible assets	<u>13,237,335</u>	<u>46,185</u>
Cash provided by (applied to) capital transactions	<u>(16,389,437)</u>	<u>(39,735,281)</u>
INVESTING		
Decrease (Increase) in investments	(11,088,729)	(18,583,057)
FINANCING		
Debt charges recovered	56,888	54,140
Capital lease paid	(36,308)	(83,825)
Long-term debt repaid	<u>(4,188,939)</u>	<u>(1,341,005)</u>
Cash provided by (applied to) financing transactions	<u>(4,168,359)</u>	<u>(1,370,690)</u>
CHANGE IN CASH DURING YEAR	4,657,444	9,156,458
CASH (BANK INDEBTEDNESS) AT BEGINNING OF YEAR	3,663,603	(5,492,855)
CASH AT END OF YEAR	<u>8,321,047</u>	<u>3,663,603</u>

Cash/Bank Indebtedness - See Note 3

The accompanying notes are an integral part of these financial statements

ROCKY VIEW COUNTY
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2019
Schedule 1

	Unrestricted Surplus (Deficit)	Restricted Surplus	Equity in Other Assets	Equity in Tangible Capital Assets	2019 \$	2018 \$
BALANCE, BEGINNING OF YEAR,	934,995	76,291,206	16,375,000	567,655,859	661,257,060	610,709,595
Excess (deficiency) of revenue over expenses	27,329,579	-	-	-	27,329,579	50,547,465
Unrestricted funds designated for future use	(30,287,740)	30,287,740	-	-	-	-
Restricted funds used for operations	7,674,284	(7,674,284)	-	-	-	-
Restricted funds use for tangible capital assets	-	(9,734,121)	-	9,734,121	-	-
Current year funds used for assets	(19,174,183)	-	-	19,174,183	-	-
Contributed tangible capital assets	(8,633,072)	-	-	8,633,072	-	-
Disposal of tangible capital assets	400,139	-	-	(400,139)	-	-
Annual amortization expenses	24,895,236	-	-	(24,895,236)	-	-
Capital lease paid	(36,308)	-	-	36,308	-	-
Long term debt repaid net of debt charges recovered	(4,132,051)	-	-	4,132,051	-	-
Change in accumulated surplus	(1,964,116)	12,879,335	-	16,414,360	27,329,579	50,547,465
BALANCE, END OF YEAR	(1,029,121)	89,170,541	16,375,000	584,070,219	688,586,639	661,257,060

The accompanying notes are an integral part of these financial statements

ROCKY VIEW COUNTY
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2019
Schedule 2

	Land		Engineered	Machinery and	Vehicles	2019	2018	
	Land	Improvements	Buildings	Structures		Equipment	\$	\$
COST:								
BALANCE, BEGINNING OF YEAR	127,328,653	3,383,722	78,141,805	928,932,060	19,281,776	15,931,246	1,172,999,262	1,114,386,634
Acquisition of tangible capital assets	1,281,250	2,109,413	2,131,126	23,844,208	2,630,522	1,725,593	33,722,112	75,905,754
Acquisition of tangible capital assets, capital lease	-	-	-	-	-	-	-	-
Construction-in-progress, net	5,225,764	(511,894)	444,343	(1,338,357)	(59,785)	59,193	3,819,264	(16,707,150)
Disposal of tangible capital assets	-	-	(2,530,285)	-	(1,309,076)	(1,498,238)	(5,337,599)	(585,976)
BALANCE, END OF YEAR	133,835,667	4,981,241	78,186,989	951,437,911	20,543,437	16,217,794	1,205,203,039	1,172,999,262
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	148,210	10,463,594	521,717,206	11,297,649	8,987,146	552,613,805	529,928,022
Annual Amortization	-	191,046	2,130,318	19,948,988	1,481,000	1,112,084	24,863,436	23,223,649
Annual Amortization, capital lease	-	-	-	-	31,800	-	31,800	31,800
Accumulated amortization on disposals	-	-	(2,130,146)	-	(1,309,076)	(1,498,238)	(4,937,460)	(569,666)
BALANCE, END OF YEAR	-	339,256	10,463,766	541,666,194	11,501,373	8,600,992	572,571,581	552,613,805
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	133,835,667	4,641,985	67,723,223	409,771,717	9,042,064	7,616,802	632,631,458	620,385,457
2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	127,328,653	3,235,512	67,678,211	407,214,854	7,984,127	6,944,100	620,385,457	

The accompanying notes are an integral part of these financial statements

ROCKY VIEW COUNTY
Schedule of Property and Other Taxes
For the Year Ended December 31, 2019
Schedule 3

	Budget \$ (Note 21)	2019 \$	2018 \$
TAXATION			
Real property taxes	109,394,038	107,252,063	103,515,702
Linear property taxes	14,790,013	14,500,419	13,913,709
Government grants in place of property taxes	72,849	71,423	214,058
Special assessments and local improvement taxes	434,000	433,219	433,239
	<u>124,690,900</u>	<u>122,257,124</u>	<u>118,076,708</u>
REQUISITIONS FROM OTHER AUTHORITIES			
Alberta School Foundation Fund	46,419,700	45,083,080	43,982,839
Calgary Roman Catholic Separate School District	3,875,300	3,813,175	3,737,034
Rocky View Seniors Foundation	673,300	673,285	663,342
Designated Industrial Property Tax	147,600	84,234	62,798
	<u>51,115,900</u>	<u>49,653,774</u>	<u>48,446,013</u>
NET MUNICIPAL TAXES	<u><u>73,575,000</u></u>	<u><u>72,603,350</u></u>	<u><u>69,630,695</u></u>

The accompanying notes are an integral part of these financial statements

ROCKY VIEW COUNTY
Schedule of Government Transfers
For the Year Ended December 31, 2019
Schedule 4

	Budget \$ (Note 21)	2019 \$	2018 \$
TRANSFERS FOR OPERATING:			
Provincial Government	9,083,400	2,751,086	2,988,886
Federal Government	-	5,712	-
	<u>9,083,400</u>	<u>2,756,798</u>	<u>2,988,886</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	34,910,100	14,572,206	23,178,475
Federal Government	5,589,500	-	-
	<u>40,499,600</u>	<u>14,572,206</u>	<u>23,178,475</u>
TOTAL GOVERNMENT TRANSFERS	<u>49,583,000</u>	<u>17,329,004</u>	<u>26,167,361</u>

The accompanying notes are an integral part of these financial statements

ROCKY VIEW COUNTY
Schedule of Expenses by Object
For the Year Ended December 31, 2019
Schedule 5

	Budget \$ (Note 21)	2019 \$	2018 \$ (Note 20)
EXPENSES BY OBJECT			
Salaries, wages and benefits	42,519,400	41,060,504	38,643,190
Contracted and general services	38,493,500	27,383,036	23,937,639
Materials, goods and supplies	10,335,400	9,611,136	8,137,542
Interest on long-term debt	1,663,900	1,920,591	1,802,838
Interest on capital lease	500	501	4,514
Purchased from other Governments	607,900	672,050	660,350
Grants to organizations	3,486,200	2,784,779	2,593,833
Grants to Municipal agencies	2,141,800	1,407,544	1,337,257
Other	419,400	237,366	346,898
Amortization of tangible capital assets	24,242,700	24,895,236	23,255,449
Loss on disposal of tangible capital assets	-	-	-
TOTAL EXPENSES	<u>123,910,700</u>	<u>109,972,743</u>	<u>100,719,510</u>

The accompanying notes are an integral part of these financial statements

ROCKY VIEW COUNTY
Schedule of Segmented Disclosure
For the Year Ended December 31, 2019
Schedule 6

	General Government	Emergency Services	I & O Services	Planning & Development	Community Services	Total \$
REVENUE						
Net municipal taxes	72,603,350	-	-	-	-	72,603,350
Government transfers	779,049	1,890,066	13,343,843	-	1,316,046	17,329,004
User fees and sales of goods	242,457	639,515	6,899,956	1,419,266	1,954,141	11,155,335
Investment income	2,528,999	-	-	-	-	2,528,999
Contributed assets	-	-	8,194,272	-	438,800	8,633,072
Other revenues	6,421,000	1,335,087	2,144,941	5,401,534	9,750,000	25,052,562
	82,574,855	3,864,668	30,583,012	6,820,800	13,458,987	137,302,322
EXPENSES						
Salaries, wages and benefits	12,063,914	11,360,759	11,629,714	5,363,877	642,240	41,060,504
Contracted and general services	4,978,762	668,934	18,727,925	2,385,565	621,850	27,383,036
Materials, goods and supplies	433,495	612,990	8,446,361	74,628	43,662	9,611,136
Transfers to local boards	1,346,792	79,000	-	-	2,766,531	4,192,323
Long-term debt interest	-	34,192	1,886,399	-	-	1,920,591
Capital lease interest	-	-	501	-	-	501
Other expenses	117,477	672,050	119,889	-	-	909,416
	18,940,440	13,427,925	40,810,789	7,824,070	4,074,283	85,077,507
NET REVENUE, BEFORE AMORTIZATION	63,634,415	(9,563,257)	(10,227,777)	(1,003,270)	9,384,704	52,224,815
Amortization expenses	2,037,015	944,756	21,679,384	3,158	230,923	24,895,236
EXCESS (DEFFICIENCY) OF REVENUE OVER EXPENSES	61,597,400	(10,508,013)	(31,907,161)	(1,006,428)	9,153,782	27,329,579

The accompanying notes are an integral part of these financial statements

ROCKY VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

These financial statements of Rocky View County (the “County”) are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Professional Accountants. Significant aspects of the accounting policies adopted by the County are outlined as follows:

Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of Rocky View County.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of Rocky View County.

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

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.

Revenue Recognition

Funds from external parties and earnings thereon that are 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. Revenue on investments, fines and penalties are recognized when earned.

Tax Revenue

The County recognized taxes as assets and revenue when they meet the definition of an asset, are authorized by bylaw, and the taxable event has occurred. Tax Revenue is initially measured at administrations best estimate of the amount resulting from the original taxable event in accordance with legislation. The related tax receivable is initially recognized at its realizable value at the date of acquisition.

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

ROCKY VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Government Transfers

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

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

Use of Estimates

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles (GAAP) and in conjunction with the Public Services Accounting Board (PSAB) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Accounts receivable are stated after evaluation as to their collectability. Amortization is based on the estimated useful lives of tangible assets. Reclamation, closure and post-closure liabilities are calculated based on management's best estimates of costs and timing.

Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

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.

Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of related borrowings. These levies are collectable from property owners for work performed by Rocky View County.

Inventories

Inventories held for consumption are recorded at the lower of cost or net realizable value with the cost determined by the average cost method.

ROCKY VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environment Protection and Enhancement Act, the County is required to fund the closure of its landfill sites and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill sites based on usage.

Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post remediation including operation, maintenance and monitoring.

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 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 of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Land Improvements	15-25
Buildings	10-50
Engineered structures	
Water system	30-75
Wastewater system	30-75
Other engineered structures	5-30
Machinery and equipment (owned and leased)	3-10
Vehicles	8-20

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.

ROCKY VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

iii) Resource Asset

The water licenses are recorded at cost and have been assessed with an indefinite life. The assets will not be amortized and impairment will be reviewed when there are indicators of a decline in value.

iv) Leases

Leases are classified as capital or operating leases. Lease that transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. At the inception of a capital lease, an asset and payment obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value.

All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

An arrangement contains a lease where the arrangement conveys a right to use the underlying tangible asset, and whereby its fulfillment is dependent on the use of the specific tangible asset. After the inception of the arrangement, a reassessment of whether the arrangement contains a lease is made only in the event that:

- There is a change in contractual terms;
- A renewal option is exercised or an extension is agreed upon by the parties to the arrangement;
- There is a change in the determination of whether the fulfillment of the arrangement is dependent on the use of the specific tangible asset; or
- There is a substantial physical change to the specified tangible asset.

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.

Pensions

The County participates in two multi-employer pension plans. The plan is accounted for as a defined contribution plan. Contributions for current services are recorded as expenditures in the year in which they become due.

Funds Held in Trust

The County held \$ 697,489 in a Cemetery Perpetual Care Trust Account as at December 31, 2019 (2018 - \$ 602,762).

ROCKY VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
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Segmented Disclosure

The County conducts its business through a number of reportable segments. The operating segments are established by management and facilitate the achievement of long-term objectives and aid in resource allocation decision. 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.

NOTE 2: INVESTMENTS

	<u>2019</u>	<u>2018</u>
Investments	\$ <u>114,676,853</u>	\$ <u>103,588,124</u>

Investments have effective interest rates of 2.16% to 2.57% (2018 – 2.51% to 3.06%) and mature in less than one year.

Investments include funds that are designated for developer's refundable deposits, public reserve funds and grant funds for capital and operating expenditures.

NOTE 3: CASH

	<u>2019</u>	<u>2018</u>
Cash in bank	\$ 11,074,856	\$ 6,040,040
Outstanding cheques	<u>(2,753,809)</u>	<u>(2,376,437)</u>
Cash	<u>\$ 8,321,047</u>	<u>\$ 3,663,603</u>

ROCKY VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4: RECEIVABLES

	2019	2018
Property Taxes		
Current taxes and grants in place of taxes	\$ 2,802,864	\$ 2,565,797
Arrears taxes	1,263,320	919,423
	\$ 4,066,184	\$ 3,485,220
Other		
Trade Accounts	\$ 8,103,669	\$ 12,631,393
Fuel Tax Rebate	3,636	13,179
GST	704,963	406,113
	\$ 8,812,268	\$ 13,050,685
Total	\$ 12,878,452	\$ 16,535,905

NOTE 5: DEBT CHARGES RECOVERABLE

	2019	2018
Current debt charges recoverable	\$ 59,777	\$ 56,888
Non-current debt charges recoverable	530,087	589,864
	\$ 589,864	\$ 646,752

The County has secured long-term financing on behalf of several community organizations for joint projects within the County. This debt is recoverable from the organizations at interest rates from 4.758% to 5.250%. The debts mature and will be fully recovered starting in the year 2023 and ending in 2032.

	Principal	Interest	Total
2020	\$ 59,777	\$ 28,610	\$ 88,387
2021	62,812	25,574	88,386
2022	66,001	22,385	88,386
2023	69,353	19,033	88,386
2024	31,900	15,510	47,410
Thereafter	300,021	62,558	362,580
	\$ 589,864	\$ 173,670	\$ 763,535

ROCKY VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6: DEFERRED REVENUE

	<u>2019</u>	<u>2018</u>
Prepaid property tax	\$ 278,100	\$ 230,063
AB Environment & Sustainable Resource Grant	13,233,715	18,300,006
Municipal Sustainability Initiative – capital	7,877,410	543,694
Strategic Transportation Infrastructure Program	180,979	-
AB Community Resilience Program	7,062,099	7,155,943
Flood Recovery and Erosion Control Program	355,992	419,228
Other operating grants	93,290	113,458
Developer contributions	230,711	80,825
Other deferred revenue	<u>3,381,912</u>	<u>2,243,945</u>
	<u>\$ 32,694,208</u>	<u>\$ 29,087,162</u>

NOTE 7: EMPLOYEE BENEFIT OBLIGATIONS

	<u>2019</u>	<u>2018</u>
Vacation	<u>\$ 1,461,624</u>	<u>\$ 1,157,476</u>

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

NOTE 8: LONG-TERM DEBT

	<u>2019</u>	<u>2018</u>
Operating debt, maturing between 2023 and 2032, bearing interest at rates between 4.758% and 5.250%	\$ 589,864	\$ 646,752
Capital debt, maturing between 2023 and 2046, bearing variable and fixed interest rates at between 1.637% and 4.057%	<u>48,561,239</u> <u>\$ 49,151,103</u>	<u>52,693,290</u> <u>\$ 53,340,042</u>
Funding for future payments from:		
General Tax	\$ 144,460	\$ 176,186
Emergency Services Tax	646,287	1,232,442
Local Improvement Tax	5,596,610	5,768,617
Special Levy	42,697,068	46,079,448
User Fees	<u>66,678</u>	<u>83,349</u>
	<u>\$ 49,151,103</u>	<u>\$ 53,340,042</u>

Debenture debt is issued on the credit and security of the County at large.

ROCKY VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
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Principal and interest repayments are as follows, assuming debt will be renewed at similar terms as it comes due:

	<u>Capital</u>	<u>Interest</u>	<u>Operating</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,667,377	\$ 1,759,687	\$ 59,777	\$ 28,610	\$ 5,515,451
2021	3,678,194	1,624,713	62,812	25,574	5,391,293
2022	3,689,393	1,489,358	66,001	22,385	5,267,137
2023	3,700,988	1,353,606	69,353	19,033	5,142,980
2024	3,601,860	1,217,448	31,900	15,510	4,866,718
Remainder	<u>30,223,427</u>	<u>7,789,968</u>	<u>300,021</u>	<u>62,558</u>	<u>8,375,974</u>
Total	<u>\$ 48,561,239</u>	<u>\$ 15,234,780</u>	<u>\$ 589,864</u>	<u>\$ 173,670</u>	<u>\$ 64,559,553</u>

Of the \$ 589,864 in principal payments to be made in future years on operating debt, all will be paid from tax levies and local improvement tax.

Of the \$ 48,561,239 in principal payments to be made in future years on capital debt, all will be paid from user fees, special levies, local improvement tax and tax levies.

Interest expense on long-term debt amounted to \$ 1,920,591 (2018 - \$ 1,802,838). The County's total cash payments for interest were \$ 1,932,024 (2018 - \$ 1,818,216).

The County has a \$5,000,000 (2018 - \$5,000,000) unsecured operating line of credit with ATB Financial. This line of credit bears interest, when utilized, at 0.25% below the prime lending rate as established by ATB Financial. Three Letters of Credit were issued against the line of credit in 2019 totalling \$853,340. Two letters of credit are for the purpose of constructing and monitoring flood mitigation structures built in segments along Bragg Creek and Elbow River. The third letter of credit is for the construction of structures to divert the flow near Mountain River Estates along the Elbow River.

NOTE 9: CAPITAL LEASE OBLIGATIONS

	<u>2019</u>	<u>2018</u>
Obligation under capital lease payable in monthly Instalments of \$ 7,362 including interest at 5.499%, due at every month end.	\$ -	\$ 36,308

Currently there are no future minimum lease payments related to obligations under capital leases.

Capital lease obligations were secured by property, plant and equipment having a net book value of \$ 174,900 in 2019 (\$ 206,700 in 2018).

ROCKY VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10: PENSION PLANS

Local Authorities Pension Plan (LAPP)

Employees of the County participate in the Local Authorities Pension Plan (“LAPP” or the “Plan”), which is covered by the Public Sector Pension Plans Act. This plan is financed by employer and employee contributions and by investment earnings of the LAPP Fund. Contributions for current service are recorded as expenditures in the year in which they become due.

Rocky View County is required to make current service contributions to the Plan of 9.39% of pensionable earnings up to the year’s maximum pensionable earnings under the Canada Pension Plan (CPP), and 13.84% of pensionable earnings above this amount. Employees of the County are required to make current service contributions of 8.39% of pensionable earnings up to the year’s maximum pensionable earnings and 12.84% on pensionable earnings above this amount.

Total employer contributions by Rocky View County to the LAPP in 2019 were \$ 2,444,765 (2018 - \$ 2,495,058). Total contributions by the employees of Rocky View County to the LAPP in 2019 were \$ 2,213,939 (2018 - \$ 2,245,440).

At December 31, 2018, the date of the most recent actuarial valuation, the Plan disclosed an actuarial surplus of \$ 3,469 million (2017 - \$ 4,836 million surplus).

APEX Supplementary Pension Plan

The APEX Supplementary Pension Plan, an Alberta Urban Municipality Association (AUMA) sponsored defined benefit pension plan covered under the provisions of the Alberta Employment Pensions Plans Act, commenced in 2008 and provides supplementary pension plan benefits. The plan supplements the Local Authorities Pension Plan.

The Chief Administrative Officer and Executive Directors of the County can participate in the APEX Supplementary Pension Plan. APEX is financed by Employer and Employee contributions and investment earnings of the APEX fund. Contributions for current service are recorded as expenditures in the year in which they become due.

Rocky View County makes current service contributions to the plan of 3.78% of pensionable earnings up to the APEX maximum earnings of \$151,278. Eligible employees of the County can make current service contributions of 2.84% of earnings up to the APEX maximum earnings of \$151,278. Total employer contributions by Rocky View County to APEX in 2019 amounted to \$ 24,545 (2018 - \$20,717). Total contributions by employees of the County to APEX amounted to \$ 18,550 for the 2019 year (2018 - \$ 15,565).

The cost of post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and administration’s best estimate of salary and benefit escalation and retirement ages of employees. The costs of post-retirement benefits are fully funded.

ROCKY VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 11: COMMITMENTS & CONTINGENCIES

No provision has been made on the statement of financial position for the various lawsuits and legal claims filed against the County as the extent of the lawsuits and legal claims are not determinable at December 31, 2019. The amount of any future settlement would be accounted for in the year the losses are determined.

The County has entered into equipment leases. The commitments for the next 4 years are as follows:

	Operating
2020	\$ 631,641
2021	\$ 629,881
2022	\$ 316,094
2023	\$ 30,359

The County has also entered into agreements for the following projects, (1) Bragg Creek Flood Mitigation, \$949,284 (2) Langdon Wastewater Treatment Plant, \$343,880 (3) Langdon Fire Hall, \$220,586 and (4) Langdon Baseball Diamonds, \$9,376.

NOTE 12: RECIPROCAL INSURANCE EXCHANGE MEMBERSHIPS

The County was a member of the Genesis Reciprocal Insurance Exchange and the Jubilee Reciprocal Insurance Exchange as at December 31, 2019. Under the terms of the membership, the County could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

NOTE 13: DEBT LIMITS

Section 276(2) of the Municipal Government Act and related provincial regulations require that the debt and debt limits, as defined by Alberta Regulation 255/00, for the County, be disclosed as follows:

	2019	2018
Total debt limit	\$ 151,889,772	\$ 160,877,804
Total long term debt	<u>(49,151,103)</u>	<u>(53,376,350)</u>
Total amount of debt limit unused	<u>\$ 102,738,669</u>	<u>\$ 107,501,454</u>
Debt Servicing Limit	\$ 25,314,962	\$ 26,812,967
Debt Servicing	<u>(5,515,450)</u>	<u>(6,157,376)</u>
Amount of Debt Servicing Limit unused	<u>\$ 19,799,512</u>	<u>\$ 20,655,591</u>

The debt limit is calculated at 1.5 times revenue of the County (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these

ROCKY VIEW COUNTY
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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 County; rather, the financial statements must be interpreted as a whole. Rocky View County has taken a conservative approach by removing certain one time amounts from the revenue for the debt limit calculation.

NOTE 14: ACCUMULATED SURPLUS

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	\$ 6,018,087	\$ 6,950,341
Capital deficit	<u>(7,047,208)</u>	<u>(6,015,346)</u>
	<u>\$ (1,029,121)</u>	<u>\$ 934,995</u>
Restricted surplus		
Reserve funds		
General Operating	\$ 2,572,195	\$ 2,749,766
Roads	2,908,885	2,718,027
Offsite Levies	25,677,073	26,156,669
Tax Stabilization	36,514,742	22,378,648
Utility	1,002,072	864,002
Public	16,639,582	16,136,680
Equipment	3,014,455	4,450,677
Voluntary Recreation	841,537	836,737
Equity in water license	16,375,000	16,375,000
Equity in tangible capital assets (Note 19)	<u>584,070,219</u>	<u>567,655,859</u>
	<u>\$ 688,586,639</u>	<u>\$ 661,257,060</u>

NOTE 15: FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, employee benefit obligations, deposit liabilities, long-term debt, and capital lease obligations. It is managements' opinion that the County is not exposed to significant interest or currency risks arising from these financial instruments.

The County is subject to credit risk with respect to taxes and grants in place of taxes, accounts receivable and debt charges recoverable. Credit risk arises from the possibility that taxpayers and entities to which the County provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

ROCKY VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 16: SALARY AND BENEFIT DISCLOSURE

Salaries and benefits for elected Municipal Officials, the County Manager and the Designated Officers as required by Alberta Regulation 313/2000, is disclosed as follows:

	No. of Persons	Salary \$	Benefits & Allowances \$	Total 2019 \$	No. of Persons	Total 2018 \$
Councillors:						
Division 1	1	81,960	12,469	94,429	1	78,590
Division 2	1	82,260	12,494	94,754	1	78,590
Division 3	1	68,586	12,201	80,787	1	82,446
Division 4	1	85,527	12,555	98,082	1	79,286
Division 5	1	82,110	12,491	94,601	1	83,073
Division 6	1	112,498	13,160	125,658	1	103,269
Division 7	1	86,960	13,239	100,199	1	78,640
Division 8	1	68,336	12,129	80,465	1	78,742
Division 9	1	68,336	12,129	80,465	1	78,590
County Manager	2	258,280	113,940	372,220	3	397,969
Designated Officers	2	254,617	34,825	289,442	2	269,037

- (1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (2) Elected Officials: Benefits & Allowances include the County's contribution and payments for Canada Pension Plan (CPP), Workers Compensation Board (WCB), dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, travel allowance and general expense allowance.
- (3) County Manager/Designated Officers: Benefits & Allowances include the County's contribution and payments for Canada Pension Plan (CPP), Workers Compensation Board (WCB), employment insurance, extended health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, local authorities pension plan (LAPP), and APEX Supplementary Pension Plan.

ROCKY VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 17: LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Pursuant to the Alberta Environment Protection and Enhancement Act, the County is required to fund the closure of its landfill sites and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance.

The County is responsible for landfill sites which have been capped and closed with no further useful life and capacity. No performance bonds have been paid on the sites and no assets have been specifically allocated to these sites.

The estimated total liability is based on the sum of discounted future cash flows of post closure activities for the remainder of the terms (between 15 years and 18 years) using a discount rate of 3.76 %.

The total estimated liability is \$ 438,156, of which \$ 438,156 has been accrued as a liability.

	<u>2019</u>	<u>2018</u>
Estimated post-closure costs	<u>438,156</u>	<u>483,876</u>
Estimated total liability	<u>\$ 438,156</u>	<u>\$ 483,876</u>

NOTE 18: CONTAMINATED SITES LIABILITY

On January 1, 2015, the County adopted PS 3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the County. During 2019 the County did not identify any sites that qualify as contaminated under PS 3260 and therefore no Contaminated Sites Liability was required.

NOTE 19: EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>
Tangible capital assets (Schedule 2)	\$ 1,205,203,039	\$ 1,172,999,262
Accumulated amortization (Schedule 2)	(572,571,581)	(552,613,805)
Long-term debt (Note 8)	(49,151,103)	(53,340,042)
Capital lease (Note 9)	-	(36,308)
Debt charges recoverable (Note 5)	<u>589,864</u>	<u>646,752</u>
	<u>\$ 584,070,219</u>	<u>\$ 567,655,859</u>

NOTE 20: COMPARATIVE FIGURES

Certain prior year corresponding figures have been restated to conform to the current year's presentation.

ROCKY VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 21: BUDGET

The budget figures presented in these financial statements are based on the budget approved by council on April 30, 2019 and subsequent budget adjustments are not included.

NOTE 22: SUBSEQUENT EVENT

Subsequent to year-end, the COVID-19 pandemic is causing significant financial market and social dislocation. The situation is dynamic with various levels of government around the world responding in different ways to address the outbreak. The County continues to monitor its operations and assess the impact COVID-19 will have on its business activities. The extent of the effect of the COVID-19 pandemic on the County is uncertain.

NOTE 23: APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.