

ROCKY VIEW COUNTY

**2020 Year End Financial Statements
(draft)**

May 26, 2020

ROCKY VIEW COUNTY

SECTION I

2020 Year End Financial Statements and Notes to the Financial Statements

May 26, 2020

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 "Municipality"), which comprise the statement of financial position as at December 31, 2020, 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 Municipality as at December 31, 2020, and the results of its operations, changes in its 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 Municipality 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 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.

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality'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 Municipality's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- 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

April 27, 2021

Chartered Professional Accountants

ROCKY VIEW COUNTY
Statement of Financial Position
As at December 31, 2020

	2020 \$	2019 \$
FINANCIAL ASSETS		
Cash (Note 3)	7,815,156	8,321,047
Temporary investments (Note 2)	97,525,501	114,676,853
Receivables		
Taxes and grants in place of taxes (Note 4)	5,224,266	4,066,184
Trade and other receivables (Note 4)	13,202,922	8,812,268
Debt charges recoverable (Note 5)	530,087	589,864
	<u>124,297,932</u>	<u>136,466,216</u>
LIABILITIES		
Accounts payable and accrued liabilities	19,282,799	8,275,577
Deposit liabilities	7,040,970	7,457,008
Deferred revenue (Note 6)	14,136,709	32,694,208
Employee benefit obligations (Note 7)	1,695,552	1,461,624
Landfill closure and post-closure costs (Note 16)	424,335	438,156
Long-term debt (Note 8)	47,261,615	49,151,103
	<u>89,841,980</u>	<u>99,477,676</u>
NET FINANCIAL ASSETS	<u>34,455,952</u>	<u>36,988,540</u>
NON- FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	652,974,774	632,631,458
Resource asset	16,375,000	16,375,000
Inventory for consumption	2,736,308	1,589,958
Prepaid expenses	1,308,656	1,001,683
	<u>673,394,738</u>	<u>651,598,099</u>
ACCUMULATED SURPLUS (Schedule 1, Note 13)	<u>707,850,690</u>	<u>688,586,639</u>

Commitments and contingencies - See Note 10 and 11

The accompanying notes are an integral part of these financial statements

ROCKY VIEW COUNTY
Statement of Operations
For the Year Ended December 31, 2020

	Budget \$ (Note 20)	2020 \$	2019 \$ (Note 19)
REVENUE			
Net municipal taxes (Schedule 3)	73,374,600	72,764,077	72,603,350
User fees and sales of goods	10,464,800	10,008,185	10,541,075
Cash-In-Lieu of Public Reserve	670,000	1,078,189	1,160,635
Government transfers for operating (Schedule 4)	9,869,500	6,287,523	2,756,798
Investment income	1,203,200	1,567,839	2,528,999
Penalties and cost of taxes	997,700	1,557,874	1,146,592
Development agreements and levies	7,977,500	5,704,682	3,432,449
Licenses and permits	3,256,500	2,863,693	3,623,804
Fines	832,800	818,492	1,164,623
Other	1,973,200	1,303,190	2,301,523
Total Revenue	110,619,800	103,953,744	101,259,848
EXPENSES			
Legislative	1,093,700	936,398	996,838
Administration	22,524,900	20,457,318	20,240,359
Fire	15,521,400	15,877,281	13,222,648
Disaster services	1,310,100	513,183	342,355
Bylaw enforcement	7,727,700	6,964,963	6,023,515
Transportation and field services	53,614,000	42,605,176	42,064,269
Water supply and distribution	4,855,700	4,838,476	4,927,000
Wastewater treatment and disposal	7,882,900	7,330,741	7,683,963
Waste management	2,841,300	2,487,532	2,262,808
Family and community support	1,074,400	1,070,478	1,137,189
Cemetery	1,473,200	1,431,421	1,395,219
Planning and development	5,440,500	3,938,926	3,865,246
Recreation, parks and community services	8,955,000	10,063,521	5,811,334
Total Expenses	134,314,800	118,515,414	109,972,743
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER	(23,695,000)	(14,561,670)	(8,712,895)
OTHER			
Gain on sale	-	-	12,837,196
Contributed assets	-	9,091,723	8,633,072
Government transfers for capital (Schedule 4)	31,773,600	24,733,998	14,572,206
Total Other	31,773,600	33,825,721	36,042,474
EXCESS OF REVENUE OVER EXPENSES	8,078,600	19,264,051	27,329,579
ACCUMULATED SURPLUS, BEGINNING OF YEAR	688,586,639	688,586,639	661,257,060
ACCUMULATED SURPLUS, END OF YEAR	696,665,239	707,850,690	688,586,639

The accompanying notes are an integral part of these financial statements

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ROCKY VIEW COUNTY
Statement of Change in Net Financial Assets
For the Year Ended December 31, 2020

	Budget \$ (Note 20)	2020 \$	2019 \$
EXCESS OF REVENUE OVER EXPENSES	8,078,600	19,264,051	27,329,579
Acquisition of tangible capital assets	(58,853,500)	(36,954,578)	(28,908,304)
Contributed tangible capital assets	-	(9,091,723)	(8,633,072)
Proceeds on disposal of tangible capital assets	92,500	85,814	13,237,335
Amortization of tangible capital assets	25,211,600	25,409,974	24,895,236
Loss (Gain) on sale of tangible capital assets	-	207,197	(12,837,196)
	<u>(33,549,400)</u>	<u>(20,343,316)</u>	<u>(12,246,001)</u>
Use of (acquisition of) supplies inventories	-	(1,146,350)	(134,453)
Use of (acquisition of) prepaid assets	-	(306,973)	(349,663)
	<u>-</u>	<u>(1,453,323)</u>	<u>(484,116)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(25,470,800)	(2,532,588)	14,599,462
NET FINANCIAL ASSET, BEGINNING OF YEAR	<u>36,988,540</u>	<u>36,988,540</u>	<u>22,389,078</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>11,517,740</u></u>	<u><u>34,455,952</u></u>	<u><u>36,988,540</u></u>

The accompanying notes are an integral part of these financial statements

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ROCKY VIEW COUNTY
Statement of Cash Flows
For the Year Ended December 31, 2020

	2020 \$	2019 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING ACTIVITIES		
Excess of revenue over expenses	19,264,051	27,329,579
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	25,409,974	24,895,236
Loss (Gain) on disposal of tangible capital assets	207,197	(12,837,196)
Tangible capital assets received as contributions	(9,091,723)	(8,633,072)
Non-cash charges to operations (net change):		
(Increase) in taxes and grants in place of taxes	(1,158,082)	(580,964)
(Increase) decrease in trade and other receivables	(4,390,654)	4,238,417
(Increase) in inventory for consumption	(1,146,350)	(134,453)
(Increase) in prepaid expenses	(306,973)	(349,663)
Increase (decrease) in accounts payable and accrued liabilities	11,007,222	(3,204,320)
Increase in accounts payable amount applied to capital	4,782,166	718,468
(Decrease) increase in deposit liabilities	(416,038)	996,463
(Decrease) increase in deferred revenue	(18,557,499)	3,607,046
Increase in employee benefit obligations	233,928	304,148
(Decrease) in provision for landfill closure and post-closure costs	(13,821)	(45,720)
Cash provided by (applied to) operating transactions	<u>25,823,398</u>	<u>36,303,969</u>
CAPITAL		
Accounts payable amount applied to capital	(4,782,166)	(718,468)
Acquisition of assets	(36,954,578)	(28,908,304)
Sale of tangible assets	85,814	13,237,335
Cash provided by (applied to) capital transactions	<u>(41,650,930)</u>	<u>(16,389,437)</u>
INVESTING		
Decrease (Increase) in investments	17,151,352	(11,088,729)
FINANCING		
Debt charges recovered	59,777	56,888
Capital lease paid	-	(36,308)
Long-term debt repaid	(3,750,123)	(4,188,939)
Long-term debt raised	1,860,635	-
Cash provided by (applied to) financing transactions	<u>(1,829,711)</u>	<u>(4,168,359)</u>
CHANGE IN CASH DURING YEAR	(505,891)	4,657,444
CASH AT BEGINNING OF YEAR	<u>8,321,047</u>	3,663,603
CASH AT END OF YEAR	<u><u>7,815,156</u></u>	<u><u>8,321,047</u></u>

Cash - 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, 2020
Schedule 1

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	Unrestricted Surplus (Deficit)	Restricted Surplus	Equity in Other Assets	Equity in Tangible Capital Assets	2020 \$	2019 \$
BALANCE, BEGINNING OF YEAR,	(1,029,121)	89,170,541	16,375,000	584,070,219	688,586,639	661,257,060
Excess (deficiency) of revenue over expenses	19,264,051	-	-	-	19,264,051	27,329,579
Unrestricted funds designated for future use	(19,396,438)	19,396,438	-	-	-	-
Restricted funds used for operations	14,142,769	(14,142,769)	-	-	-	-
Restricted funds use for tangible capital assets	-	(9,532,101)	-	9,532,101	-	-
Current year funds used for assets	(25,561,842)	-	-	25,561,842	-	-
Long term debt for purchase of tangible capital assets	(1,860,635)	-	-	1,860,635	-	-
Contributed tangible capital assets	(9,091,723)	-	-	9,091,723	-	-
Disposal of tangible capital assets	293,011	-	-	(293,011)	-	-
Annual amortization expenses	25,409,974	-	-	(25,409,974)	-	-
Long term debt issued	1,860,635	-	-	(1,860,635)	-	-
Long term debt repaid net of debt charges recovered	(3,690,346)	-	-	3,690,346	-	-
Change in accumulated surplus	1,369,456	(4,278,432)	-	22,173,027	19,264,051	27,329,579
BALANCE, END OF YEAR	340,335	84,892,109	16,375,000	606,243,246	707,850,690	688,586,639

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, 2020
Schedule 2

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	Land		Engineered		Machinery and		2020	2019
	Land	Improvements	Buildings	Structures	Equipment	Vehicles	\$	\$ (Note 19)
COST:								
BALANCE, BEGINNING 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
Acquisition of tangible capital assets	767,856	396,450	-	21,474,448	444,987	1,371,033	24,454,774	33,722,112
Construction-in-progress, net	374,619	2,393,941	5,360,325	13,291,900	130,858	39,884	21,591,527	3,819,264
Disposal of tangible capital assets	(58,535)	(47,817)	(105,975)	(251,508)	(308,844)	-	(772,679)	(5,337,599)
BALANCE, END OF YEAR	134,919,607	7,723,815	83,441,339	985,952,751	20,810,438	17,628,711	1,250,476,661	1,205,203,039
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	339,256	10,463,766	541,666,194	11,501,373	8,600,992	572,571,581	552,613,805
Annual Amortization	-	256,355	2,143,727	20,171,421	1,588,593	1,249,878	25,409,974	24,895,236
Accumulated amortization on disposals	-	(7,969)		(177,359)	(294,340)	-	(479,668)	(4,937,460)
BALANCE, END OF YEAR	-	587,642	12,607,493	561,660,256	12,795,626	9,850,870	597,501,887	572,571,581
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	134,919,607	7,136,173	70,833,846	424,292,495	8,014,812	7,777,841	652,974,774	632,631,458
2019 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	

The accompanying notes are an integral part of these financial statements

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ROCKY VIEW COUNTY
Schedule of Property and Other Taxes
For the Year Ended December 31, 2020
Schedule 3

	Budget \$ (Note 20)	2020 \$	2019 \$
TAXATION			
Real property taxes	110,902,946	110,359,779	107,252,063
Linear property taxes	13,519,975	13,453,758	14,500,419
Government grants in place of property taxes	85,979	85,559	71,423
Special assessments and local improvement taxes	433,900	433,042	433,219
	<u>124,942,800</u>	<u>124,332,138</u>	<u>122,257,124</u>
 REQUISITIONS FROM OTHER AUTHORITIES			
Alberta School Foundation Fund	46,767,600	46,767,643	45,083,080
Calgary Roman Catholic Separate School District	3,992,000	3,992,021	3,813,175
Rocky View Seniors Foundation	675,300	675,246	673,285
Designated Industrial Property Tax	133,300	133,151	84,234
	<u>51,568,200</u>	<u>51,568,061</u>	<u>49,653,774</u>
 NET MUNICIPAL TAXES	<u>73,374,600</u>	<u>72,764,077</u>	<u>72,603,350</u>

The accompanying notes are an integral part of these financial statements

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ROCKY VIEW COUNTY
Schedule of Government Transfers
For the Year Ended December 31, 2020
Schedule 4

	Budget \$ (Note 20)	2020 \$	2019 \$
TRANSFERS FOR OPERATING:			
Provincial Government	9,863,800	6,287,523	2,751,086
Federal Government	5,700	-	5,712
	<u>9,869,500</u>	<u>6,287,523</u>	<u>2,756,798</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	26,184,100	24,215,731	14,572,206
Federal Government	5,589,500	518,267	-
	<u>31,773,600</u>	<u>24,733,998</u>	<u>14,572,206</u>
TOTAL GOVERNMENT TRANSFERS	<u>41,643,100</u>	<u>31,021,521</u>	<u>17,329,004</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, 2020
Schedule 5

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	Budget \$ (Note 20)	2020 \$	2019 \$
EXPENSES BY OBJECT			
Salaries, wages and benefits	45,223,400	43,801,947	41,060,504
Contracted and general services	42,886,900	28,860,050	27,383,036
Materials, goods and supplies	11,551,400	9,735,790	9,611,136
Interest on long-term debt	1,865,900	1,318,812	1,920,591
Interest on capital lease	-	-	501
Purchased from other Governments	637,800	707,029	672,050
Grants to organizations	4,399,400	6,483,008	2,784,779
Grants to Municipal agencies	2,141,800	1,656,942	1,407,544
Other	396,600	334,665	237,366
Amortization of tangible capital assets	25,211,600	25,409,974	24,895,236
Loss on disposal of tangible capital assets	-	207,197	-
TOTAL EXPENSES	134,314,800	118,515,414	109,972,743

The accompanying notes are an integral part of these financial statements

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ROCKY VIEW COUNTY
Schedule of Segmented Disclosure
For the Year Ended December 31, 2020
Schedule 6

	General Government	Emergency Services	I & O Services	Planning & Development	Community Services	Total \$
REVENUE						
Net municipal taxes	72,764,077	-	-	-	-	72,764,077
Government transfers	3,738,471	5,726,550	20,103,450	-	1,453,050	31,021,521
User fees and sales of goods	152,551	393,513	6,130,439	1,201,996	2,129,686	10,008,185
Investment income	1,567,839	-	-	-	-	1,567,839
Contributed assets	-	-	8,408,723	-	683,000	9,091,723
Other revenues	2,926,028	1,268,078	2,497,430	6,634,584	-	13,326,120
	81,148,966	7,388,141	37,140,042	7,836,580	4,265,736	137,779,465
EXPENSES						
Salaries, wages and benefits	12,082,291	13,728,307	11,774,950	5,527,089	689,310	43,801,947
Contracted and general services	4,878,772	1,529,023	20,492,897	1,252,776	706,582	28,860,050
Materials, goods and supplies	448,476	970,589	8,124,700	49,770	142,255	9,735,790
Transfers to local boards	5,010,959	79,000	-	-	3,049,991	8,139,950
Long-term debt interest	-	24,709	1,294,103	-	-	1,318,812
Loss on disposal of tangible capital assets	207,197	-	-	-	-	207,197
Other expenses	63,770	707,029	270,895	-	-	1,041,694
	22,691,465	17,038,657	41,957,545	6,829,635	4,588,138	93,105,440
NET REVENUE, BEFORE AMORTIZATION	58,457,501	(9,650,516)	(4,817,503)	1,006,945	(322,402)	44,674,025
Amortization expenses	2,041,360	971,574	22,162,959	3,158	230,923	25,409,974
EXCESS (DEFFICIENCY) OF REVENUE OVER EXPENSES	56,416,141	(10,622,090)	(26,980,462)	1,003,787	(553,325)	19,264,051

The accompanying notes are an integral part of these financial statements

ROCKY VIEW COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

DRAFT**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, 2020

DRAFT**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. The valuation of inventory for consumption is subject to estimation uncertainty.

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, 2020

DRAFT**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, 2020

DRAFT**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 pension plans. The plans are accounted for as defined benefits plan. Contributions for current services are recorded as expenditures in the year in which they become due.

Funds Held in Trust

The County held \$ 915,953 in a Cemetery Perpetual Care Trust Account as at December 31, 2020 (2019 - \$ 697,489).

The County held \$ 158,000 in a Tax Recovery Trust account as at December 31, 2020 (2019 - \$ 0).

ROCKY VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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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>2020</u>	<u>2019</u>
Investments	\$ <u>97,525,501</u>	\$ <u>114,676,853</u>

Investments have affected interest rates of 0.65% to 1.18% (2019 – 2.16% to 2.57%) and mature in no more 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>2020</u>	<u>2019</u>
Cash in bank	\$ 12,753,262	\$ 11,074,856
Outstanding cheques	<u>(4,938,106)</u>	<u>(2,753,809)</u>
Cash	\$ <u>7,815,156</u>	\$ <u>8,321,047</u>

ROCKY VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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NOTE 4: RECEIVABLES

	<u>2020</u>	<u>2019</u>
Property Taxes		
Current taxes and grants in place of taxes	\$ 3,894,473	\$ 2,802,864
Arrears taxes	<u>1,329,793</u>	<u>1,263,320</u>
	<u>\$ 5,224,266</u>	<u>\$ 4,066,184</u>
Other		
Trade Accounts	\$ 12,117,166	\$ 8,103,669
Fuel Tax Rebate	2,055	3,636
GST	<u>1,083,701</u>	<u>704,963</u>
	<u>\$ 13,202,922</u>	<u>\$ 8,812,268</u>
Total	<u>\$ 18,427,188</u>	<u>\$ 12,878,452</u>

NOTE 5: DEBT CHARGES RECOVERABLE

	<u>2020</u>	<u>2019</u>
Current debt charges recoverable	\$ 62,812	\$ 59,777
Non-current debt charges recoverable	<u>467,275</u>	<u>530,087</u>
	<u>\$ 530,087</u>	<u>\$ 589,864</u>

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.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2025	33,450	13,960	47,410
Thereafter	<u>266,571</u>	<u>48,598</u>	<u>315,169</u>
	<u>\$ 530,087</u>	<u>\$ 145,060</u>	<u>\$ 675,147</u>

ROCKY VIEW COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

DRAFT**NOTE 6: DEFERRED REVENUE**

	<u>2020</u>	<u>2019</u>
Prepaid property tax	\$ 369,123	\$ 278,100
AB Environment & Sustainable Resource Grant	2,066,017	13,233,715
Municipal Sustainability Initiative – capital	1,997,530	7,877,410
Strategic Transportation Infrastructure Program	-	180,979
AB Community Resilience Program	6,865,695	7,062,099
Flood Recovery and Erosion Control Program	-	355,992
Other operating grants	434,630	93,290
Developer contributions	208,712	230,711
Other deferred revenue	<u>2,195,002</u>	<u>3,381,912</u>
	<u>\$ 14,136,709</u>	<u>\$ 32,694,208</u>

NOTE 7: EMPLOYEE BENEFIT OBLIGATIONS

	<u>2020</u>	<u>2019</u>
Vacation	<u>\$ 1,695,552</u>	<u>\$ 1,461,624</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>2020</u>	<u>2019</u>
Operating debt, maturing between 2023 and 2032, bearing interest at rates between 4.758% and 5.250%	\$ 530,087	\$ 589,864
Capital debt, maturing between 2023 and 2050, bearing interest at rates between 1.288% and 3.973%	<u>46,731,528</u> <u>\$ 47,261,615</u>	<u>48,561,239</u> <u>\$ 49,151,103</u>
Funding for future payments from:		
General Tax	\$1,440,063	\$ 144,460
Emergency Services Tax	1,039,483	646,287
Local Improvement Tax	5,418,851	5,596,610
Special Levies	39,313,209	42,697,068
User Fees	<u>50,009</u>	<u>66,678</u>
	<u>\$ 47,261,615</u>	<u>\$ 49,151,103</u>

ROCKY VIEW COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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Principal and interest repayments are as follows:

	<u>Capital</u>	<u>Interest</u>	<u>Operating</u>	<u>Interest</u>	<u>Total</u>
2021	3,787,832	1,096,733	62,812	25,574	4,972,951
2022	3,800,939	1,009,803	66,001	22,385	4,899,128
2023	3,814,476	922,443	69,353	19,033	4,825,305
2024	3,717,326	834,638	31,900	15,510	4,599,374
2025	3,612,133	749,994	33,450	13,960	4,409,537
Remainder	<u>27,998,822</u>	<u>5,012,542</u>	<u>266,571</u>	<u>48,598</u>	<u>33,326,533</u>
Total	<u>\$ 46,731,528</u>	<u>\$ 9,626,153</u>	<u>\$ 530,087</u>	<u>\$ 145,060</u>	<u>\$ 57,032,828</u>

Of the \$530,087 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 \$46,731,528 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 \$1,318,812 (2019 - \$1,920,591). The County's total cash payments for interest were \$1,326,397 (2019 - \$1,932,024).

The County has a \$5,000,000 (2019 - \$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. \$1,000,000 of this \$5,000,000 can be utilized for Letters of Credit. Three Letters of Credit were issued in 2019 totalling \$853,340, which currently puts the overall line of credit at an available balance of \$4,146,660. These letters were issued to the Receiver General of Canada on behalf of Fisheries and Oceans Canada, for the purpose of constructing and monitoring flood mitigation structures built in segments along Bragg Creek and the Elbow River.

NOTE 9: 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 2020 were \$2,684,911 (2019 - \$2,444,765). Total contributions by the employees of Rocky View County to the LAPP in 2020 were \$2,388,544 (2019 - \$2,213,939).

ROCKY VIEW COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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At December 31, 2019, the date of the most recent actuarial valuation, the Plan disclosed an actuarial surplus of \$7,913 million (2018 - \$3,469 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 3.85% of pensionable earnings up to the APEX maximum earnings of \$154,611. Eligible employees of the County can make current service contributions of 2.61% of earnings up to the APEX maximum earnings of \$154,611. Total employer contributions by Rocky View County to APEX in 2020 amounted to \$25,872 (2019 - \$24,545). Total contributions by employees of the County to APEX amounted to \$17,538 for the 2020 year (2019 - \$18,550).

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.

NOTE 10: 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, 2020. The amount of any future settlement would be accounted for in the year the losses are determined.

The commitments for the next 4 years are as follows:

	Operating
2021	\$ 2,110,312
2022	\$ 2,448,130
2023	\$ 3,471,222
2024	\$ 3,440,863

The County has entered into agreements for the following projects, (1) Bragg Creek Flood Mitigation, \$11,977,872 (2) Langdon Wastewater Treatment Plant, \$2,502,160 (3) West Balzac Servicing, \$2,473,185 (4) Langdon Fire Hall, \$1,695,730 (5) Country Lane Estates Water System, \$432,331.

ROCKY VIEW COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

DRAFT**NOTE 11: 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, 2020. 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 12: 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:

	<u>2020</u>	<u>2019</u>
Total debt limit	\$ 155,930,616	\$ 151,889,772
Total long term debt	<u>(47,261,615)</u>	<u>(49,151,103)</u>
Total amount of debt limit unused	<u>\$ 108,669,001</u>	<u>\$ 102,738,669</u>
Debt Servicing Limit	\$ 25,988,436	\$ 25,314,962
Debt Servicing	<u>(4,972,951)</u>	<u>(5,515,450)</u>
Amount of Debt Servicing Limit unused	<u>\$ 21,015,485</u>	<u>\$ 19,799,512</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 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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 13: ACCUMULATED SURPLUS

	<u>2020</u>	<u>2019</u>
Unrestricted surplus	\$ 7,449,682	\$ 6,018,087
Capital deficit	<u>(7,109,347)</u>	<u>(7,047,208)</u>
	<u>\$ 340,335</u>	<u>\$ (1,029,121)</u>
Restricted surplus		
Reserve funds		
General Operating	\$ 3,478,683	\$ 2,572,195
Roads	3,873,468	2,908,885
Offsite Levies	28,546,248	25,677,073
Tax Stabilization	32,580,622	36,514,742
Utility	856,449	1,002,072
Public	10,817,691	16,639,582
Equipment	3,887,798	3,014,455
Voluntary Recreation	851,150	841,537
Equity in water license	16,375,000	16,375,000
Equity in tangible capital assets (Note 18)	<u>606,243,246</u>	<u>584,070,219</u>
	<u>\$ 707,850,690</u>	<u>\$ 688,586,639</u>

NOTE 14: 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, 2020

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NOTE 15: SALARY AND BENEFIT DISCLOSURE

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

	No. of Persons	Salary \$	Benefits & Allowances \$	Total 2020 \$	No. of Persons	Total 2019 \$
Councillors:						
Division 1	1	83,587	13,196	96,783	1	94,429
Division 2	1	84,203	13,213	97,416	1	94,754
Division 3	1	69,893	12,835	82,728	1	80,787
Division 4	1	86,490	13,211	99,701	1	98,082
Division 5	1	84,062	13,317	97,379	1	94,601
Division 6	1	109,459	13,840	123,299	1	125,658
Division 7	1	90,858	13,774	104,632	1	100,199
Division 8	1	69,893	12,835	82,728	1	80,465
Division 9	1	71,768	12,994	84,762	1	80,465
Chief Administrative Officer	1	304,418	40,894	345,312	2	372,220
Designated Officers	2	258,630	36,381	295,011	2	289,442

- (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) Chief Administrative Officer/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

DECEMBER 31, 2020

DRAFT**NOTE 16: 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 14 years and 17 years) using a discount rate of 2.92 %.

The total estimated liability is \$424,335, of which \$424,335 has been accrued as a liability.

	<u>2020</u>	<u>2019</u>
Estimated post-closure costs	<u>424,335</u>	<u>438,156</u>
Estimated total liability	<u>\$ 424,335</u>	<u>\$ 438,156</u>

NOTE 17: 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 2020 the County did not identify any sites that qualify as contaminated under PS 3260 and therefore no Contaminated Sites Liability was required.

NOTE 18: EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2020</u>	<u>2019</u>
Tangible capital assets (Schedule 2)	\$ 1,250,476,661	\$ 1,205,203,039
Accumulated amortization (Schedule 2)	(597,501,887)	(572,571,581)
Long-term debt (Note 8)	(47,261,615)	(49,151,103)
Debt charges recoverable (Note 5)	<u>530,087</u>	<u>589,864</u>
	<u>\$ 606,243,246</u>	<u>\$ 584,070,219</u>

NOTE 19: 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, 2020

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NOTE 20: BUDGET

The budget figures presented in these financial statements are based on the budget approved by council on May 12, 2020 and subsequent budget adjustments are not included.

NOTE 21: EMERGING RISK

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 22: APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

ROCKY VIEW COUNTY

SECTION II

Variance Analysis

May 26, 2020

ROCKY VIEW COUNTY

Financial Statement Variance Analysis

For The Year Ending December 31, 2020

Statement of Financial Position - Year over Year

The Statement of Financial Position reports on the County's assets, liabilities, and accumulated surplus as at December 31, 2020

Material changes have been identified and analyzed as follows:

FINANCIAL ASSETS

Cash – Decreased due to timing of matured investments.

Temporary investments – Decreased due to; a) funding for operational needs, and, b) payment of funds from the Public Reserve for grants to community organizations and payment to the respective school boards amounts owing to them from the public reserve account.

Taxes and grants in place of taxes – Increase in property taxes accounts receivable of \$1.1M.

Trade and other receivables - This change is due to; a) decreased trade accounts receivables of (\$530K), b) decreased accrued interest of (\$844K), c) increased GST refund receivable of \$379K, and d) increased accrued receivables – various grant transfers of \$5.3M.

LIABILITIES

Accounts payable and accrued liabilities – This change is due to; a) increased trade payables \$1.5M, b) increased accrued accounts payable \$7M, c) increased payroll accrual \$418K, d) increased developer hold backs \$1.4M, e) increased gravel pit reclamation liability \$750K.

Deposit liabilities – This change is due to; a) payment of refundable development deposits (\$511K), and b) increased other deposits \$95K.

Deferred revenue – This change is due to the use of grant funding for project construction; a) grant funding used for committed projects, decrease in MSI capital grant of (\$5.9M), b) decrease in the Alberta Environment and Sustainable Resource Development grant of (\$11.2M), and c) decreased other deferred revenue (\$1.4M).

Employee benefit obligations – This change is due to increased employee accrued vacation pay at December 31, 2020.

Long term debt – This change is due to; a) debt servicing of (\$3.7M), b) increase in bridge replacement debt of \$721K, c) fire truck replacement \$509K and d) new debt for Langdon 4th street pedestrian Walkway \$248K, and d) debt for new road maintenance truck \$360K.

NON-FINANCIAL ASSETS

Tangible capital assets – This change is due to the construction, contribution and amortization of capital assets; a) land \$26K, b) land improvements (\$17K), c) buildings (\$2.2M), d) vehicles \$121K, e) equipment (\$1.2M), f) engineering structure (\$7M), g) construction in progress \$21.5M; and h) contributed assets of \$9.1M.

Inventory for consumption – This change is due to an increase in gravel inventory of \$1.2M.

Prepaid expenses – This change is due to; a) increased prepaid services to be received in the 2021 year \$240K, and b) prepaid insurance premiums \$67K.

Statement of Operations – Budget to Actual – December 31, 2020

The Statement of Operations reports on revenue and expenses for both operating and capital activities, contributed assets, grants applied to projects, and the change in the accumulated surplus for the period of January 1 to December 31, 2020.

REVENUE

Net municipal taxes – The actual revenue is decreased to budget due to; a) 305 assessment changes throughout the year (\$321K), and b) nonpayment of taxes for various reasons (\$289K).

User fees – These fees consist of payments from rate payers for various services provided by Rocky View County. This variance is due to; a) increased planning fees \$615K; b) decreased utility revenue (\$886K), c) decreased endorsement fees (150K).

Cash-in-Lieu of public reserve – This revenue is received from developers who are required to contribute land or cash in lieu of land to the County upon development. This variance is due to an increased collection of “cash in lieu of land” payments of \$408K.

Government transfers for operating – This line consists of transfers (grants) from various levels of government used to fund approved infrastructure projects. This variance is due to: a) unallocated CSMI grant revenue (\$6.6M); b) unallocated municipal sustainability initiative (MSI) (\$964K); c) municipal operating support transfer (MOST) \$3.7M received and unallocated and d) municipal police assistance grant (MPAG) \$240K.

Investment income – This line consists of the investment of excess funds held by the County. This variance is due to better negotiated interest rates and effective timing of cash flows \$365K.

Penalties and cost of taxes – This line consists of penalties and costs levied in the tax roll, as well as penalties or interest charges added to water, sewer, or other trades accounts. This variance is due to penalties on tax of \$560K.

Development agreements and levies – This line consists of special levies collected from developers. They include transportation, storm water, water and wastewater levies. This variance is due to; a) developer repayment, cost recovery agreement (\$1.1M), b) decreased east Rocky View water and wastewater development levies (\$3.5M), c) increased transportation offsite levies \$2.0M, and d) Increased storm water offsite levies \$178K, and e) increased developer contribution on Langdon Joint Use Site \$133K.

Licenses and permits – Licenses and permits relate to the issuance of development and building permits across Rocky View County. This variance is due to; a) decreased issuance of building-related permits within the County of (\$583K), and increased issuance of development permits of \$190K.

Other – Other revenue consists of cost recoveries from other local governments, oil well drilling tax, annexation compensation. The variance is due to: a) decreased cost recovery RCMP (\$186K), b) decreased Alberta Transportation cost recovery (\$135K), c) decreased red cross grant (\$808K), d) decreased Langdon joint use (\$100K), e) increased developer contribution for

Langdon joint use site \$133K, f) increased insurance proceeds \$250K, and g) increased recoverable requisition overlay \$221K,.

EXPENSES

Legislative – These services include Council. This variance is due to decreased Council expenses of (\$157K).

Administration services – These services include Chief Administrative Officer, Executive Directors, Human Resources, Financial services, Communications, Legislative Services, Corporate Properties, and Information Technology. This variance is due to: a) vacant positions and staff costs (\$586K); b) unspent training (\$317K); and c) unspent Information technology services and maintenance (\$320K), d) decreased engineering costs (\$69K), e) unspent services for business and economic department (\$290K), f) unspent general contingency (\$207K), g) unspent employee programs (185K) insurance cost, and h) unspent planning projects (\$74K).

Fire services – This service provides fire protection to all areas of Rocky View County. This variance is due to: a) increased wages \$428K, b) unspent fire programs (\$81K).

Disaster Management services – The variance is due to the ongoing Emergency Management programs with unspent funds of (\$799K).

Bylaw Enforcement – This service consists of activities related to bylaw enforcement. This variance is due to: a) decreased RCMP costs (\$404K), b) decreased external building inspections (\$93K) c) vacant positions and staff costs (\$159K), and d) decreased services costs of (\$129K).

Transportation and field services – This service consists of road construction, maintenance, engineering, construction of capital projects and fleet services. This variance is due to: a) unspent CSMI drainage project – ongoing \$(6.6M), b) unspent capital road projects (\$4.0M), c) unspent Road Maintenance service contracts (\$281K), d) salary and wages savings (\$592K), e) savings in fuel and materials (\$825K), f) increased gravel liability \$750K; g) increased engineering fees \$425K.

Wastewater treatment and disposal – This service consists of the operation of the County's wastewater systems. The variance is due to: a) salary and wages savings (\$384K), b) increased treatment fees \$140K, and c) decreased solid waste contracted services (\$270K).

Waste management – This service consists of solid waste and recycling programs. This variance is due to savings in contracted services relating to transfer sites and cart pick up services of (\$311K).

Planning and development services – This service relates to the administration of land use and includes Assessment services, Business and Economic development and planning services departments. This variance is due to: a) Municipal policy projects and Inter-municipal projects (\$696K), b) salary and wages savings (\$213K), c) decreased usage of materials and services (\$387K); and d) decreased developer funded projects (\$128K), e) unused internal fleet services \$(77K).

Recreation, parks and community services – This service provides assistance to community groups for the benefit of Rocky View County residents and includes Agriculture services. This variance is due to: a) Increased salary and benefits of \$391K, b) decreased Provincial grant to Springbank Park for all seasons (\$964K), and c) increased grants to recreational facilities \$1.7M.

Contributed assets – This category consists of developer-constructed assets that are transferred to the County during the year. These assets include: a) land and land improvements of \$791K, b) roads of \$3.9M, c) wastewater and storm water \$1M, d) water of \$3.4M. No budget exists for this category as it changes from year to year and cannot be reasonably estimated.

Government transfers for capital – This category consist of transfers (grants) from various levels of government for the construction of capital infrastructure. The following capital projects are still under construction; a) Bragg Creek Flood Mitigation (\$6M), b) Langdon Fire Hall (\$1.8M), and c) Other government transfers for bridges and water systems \$800K.

Legend

K – Thousand dollars

(K) – Decrease of a thousand dollars

M – Million dollars

(M) – Decrease of a million dollars

ROCKY VIEW COUNTY

SECTION III

Audit Findings Report

May 26, 2020



Rocky View County

2020 Audit Findings

Report to Council

December 31, 2020

Julie Oliver, CPA, CA

T: (403) 356-1265

E: julie.oliver@mnp.ca



April 15, 2021

Members of Council of Rocky View County

Dear Sirs/Mesdames:

We are pleased to submit to you this report for discussion of our audit of the financial statements of Rocky View County (the "County") as at December 31, 2020 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of Council.

We have substantially completed our audit of the financial statements of the County which has been carried out in accordance with Canadian generally accepted auditing standards.

Unless unforeseen complications arise, our Independent Auditor's Report will provide an unmodified opinion to the Council of the County. A draft copy of our proposed Independent Auditor's Report is attached at the end of this report.

This report is intended solely for the information and use of Council and management and should not be distributed to or used by any other parties than these specified parties.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks in your business or all control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

We would like to express our appreciation for the excellent cooperation we have received from management and employees with whom we worked.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,

MNP LLP

Chartered Professional Accountants

encls.



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INTRODUCTION

As auditors, we report to the Council on the results of our examination of the financial statements of Rocky View County (the "County") as at and for the year ended December 31, 2020. The purpose of this Audit Findings Report is to assist you, as members of Council, in your review of the results of our audit. To facilitate in your understanding of our findings, Appendix A to this report summarizes our audit process.

Our report will discuss the status of our engagement, as well as communicate to you significant audit, accounting and reporting matters arising from our procedures. We hope that this report is of assistance to you, and we look forward to discussing our findings and answering your questions.

ENGAGEMENT STATUS

We have substantially completed our audit of the financial statements of the County and are prepared to sign our Independent Auditor's Report subsequent to completion of the following procedures:

- Receipt of the remaining outstanding legal confirmations;
- Receipt of the signed management representation letter;
- Discussion of subsequent events with Council;
- Council's review and approval of the financial statements.

INDEPENDENT AUDITOR'S REPORT

We expect to have the above procedures completed and to release our Independent Auditor's Report on April 27, 2021.

Our Independent Auditor's Report will provide an unmodified opinion to the Council. A draft copy of our proposed Independent Auditor's Report has been provided as additional materials to this report.

SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

AUDIT AND REPORTING MATTERS

The following significant matters arose during the course of audit that we wish to bring to your attention.

AREA	COMMENTS
CHANGES FROM AUDIT SERVICE PLAN	There were no deviations from the Audit Service Plan previously presented to you.
FINAL MATERIALITY	<p>Materiality is a concept used to assess the significance of misstatements or omissions that are identified during the audit and is used to determine the level of audit testing that is carried out. The scope of our audit work is tailored to reflect the relative size of operations of the County, and is affected by our assessment of materiality and audit risk.</p> <p>Final materiality used for our audit was \$3,500,000 for December 31, 2020 and \$3,500,000 for December 31, 2019.</p>
DIFFICULTIES ENCOUNTERED	No significant limitations were placed on the scope or timing of our audit.
IDENTIFIED OR SUSPECTED FRAUD	Due to the inherent limitations of an audit and the nature of fraud, including attempts at concealment through forgery or collusion, an audit conducted in accordance with Canadian generally accepted auditing standards cannot be relied upon to detect fraud.

AREA	COMMENTS
	While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.
IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS	Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the financial statements.
MATTERS ARISING IN CONNECTION WITH RELATED PARTIES	No significant matters arose during the course of our audit in connection with related parties of the County.
SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL	<p>Our audit process focuses on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment allows us to concentrate our audit procedures on high risk areas and, where possible, place reliance on controls within the financial reporting system to reduce the extent of our testing.</p> <p>It is important to note that our assessment was not, nor was it intended to be, sufficient to comment or conclude on the sufficiency of internal controls.</p> <p>We are required under Canadian generally accepted auditing standards to communicate all significant deficiencies identified during an audit to Council on a timely basis. However, we may not be aware of all significant deficiencies that do, in fact, exist.</p> <p>While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, we have detected a significant deficiency in internal controls, which are included in Appendix B to this report</p>
GOING CONCERN	<p>We have not identified any material uncertainties related to events or conditions that may cast significant doubt on the County's ability to continue as a going concern.</p> <p>We are of the opinion that the going concern assumption is appropriate in preparation of the financial statements.</p>
MATTERS ARISING FROM DISCUSSIONS WITH MANAGEMENT	<p>We would like to formally acknowledge the cooperation and assistance we received from the management and staff of the County.</p> <p>There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.</p>
SIGNIFICANT DIFFERENCES	One significant difference was proposed to management with respect to the December 31, 2020 financial statements.

AUDITOR'S VIEWS OF SIGNIFICANT ACCOUNTING PRACTICES

The application of Canadian public sector accounting standards allows and requires the County to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.

As auditors, we are uniquely positioned to provide open and objective feedback regarding your County's accounting practices, and have noted the following items during the course of our audit that we wish to bring to your attention.

AREA	COMMENTS
ACCOUNTING POLICIES	<p>The accounting policies used by the County are appropriate and have been consistently applied.</p> <p>No new accounting policies, or change in accounting policies used by the County were applied.</p>
ACCOUNTING ESTIMATES	<p>The preparation of the financial statements is subject to significant accounting estimates made by management. All significant management estimates were reviewed for the current period and no material differences were noted.</p> <p>Allowance for doubtful accounts - No provision deemed necessary.</p> <p>Inventory quantities - Gravel is measured using survey techniques by a third party.</p> <p>Amortization period of tangible capital assets - Amortized over the estimated useful life of the respective assets. For assets under the straight-line method, the rates were from 5 to 75 years.</p> <p>Contributed assets - Recorded based on rates provided by the government of Alberta.</p> <p>Gravel pit reclamation - Estimated liability has been accrued based on third party verification.</p> <p>Land remediation liabilities for landfill - Amortization period and costs associated with landfill closure and post closure have been estimated and applied consistently with assumptions of the prior year.</p> <p>Provision for legal contingencies - No provision deemed necessary.</p>
FINANCIAL STATEMENT DISCLOSURES	<p>The disclosures made in the notes to the financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the financial statements.</p>

SIGNIFICANT RISK AREAS AND RESPONSES

SIGNIFICANT RISK AREA	RESPONSE AND CONCLUSION
<p>Cash</p> <p>The nature of cash makes it susceptible to misappropriation.</p>	<p>Observe safeguards over cash and cash receipts.</p> <p>No indication of misappropriation of cash was found during the course of our audit.</p>
<p>Sale of goods/rendering of services</p> <p>Some fines or services may be paid for in cash which is subject to misappropriation.</p>	<p>Walkthrough controls over sequential number of receipts and comparison of reconciliation to summary end of day report. Additional procedures completed through walkthrough of City View, bank reconciliations, bad debt and adjustments.</p> <p>No indication of misappropriation of cash was found during the course of our audit.</p>
<p>Tax revenues</p> <p>Values used for calculating property tax are subjective. Risk that improvements on a property do not get reflected in value therefore property tax revenue not complete.</p>	<p>Recalculate overall values for property taxes using approved mill rates and compare property values to those submitted to the Alberta government. Walk through controls over ensuring additions to property values, through improvements done for example, get adjusted in the next year. No errors found in recalculation of property taxes.</p>
<p>Government transfers</p> <p>Contributions received are subject to restrictions imposed by the contributors and can only be recognized when expenditures related to the restricted use have been incurred.</p>	<p>Select a sample of projects and review a sample of expenditures to ensure that expenditures are eligible for that grant and therefore the stipulations are met.</p> <p>All stipulations appear to have been met.</p>
<p>Deposit liabilities</p> <p>Risk of inaccurate deposit liabilities due to unrecorded deposits or deposits for which all criteria has been met and they should be cleared from the listing.</p>	<p>Complete substantive testing on deposits to ensure that all deposits on the listing are appropriate. Discuss completeness of deposits with employees and corroborate explanations.</p> <p>All deposit listings are found to be appropriate.</p>
<p>Deferred revenue and restricted contributions</p> <p>Government transfers are significant and could be recorded in the wrong period.</p>	<p>Complete testing on invoices to ensure that all expenditures allocated to projects are eligible expenditures.</p> <p>All expenditures are found to be appropriate.</p>
<p>Site contamination and landfill liabilities/asset retirement obligations</p> <p>The calculation of site contamination and landfill closure and post-closure liabilities is complex and subject to significant estimation.</p>	<p>Discuss with client to ensure all liabilities have been set up in the year. Compare methodology and estimates to the prior period and obtain explanation for changes.</p> <p>All liabilities have been set up appropriately in the year.</p>
<p>Tangible capital assets</p>	<p>Ensure capital items tested are appropriately classified.</p>

SIGNIFICANT RISK AREA	RESPONSE AND CONCLUSION
Risk of treating upgrades to capital items inconsistently. This risk includes the risk of contributed assets not being recorded.	All tested capital items are appropriately classified.

OTHER MATTERS**MANAGEMENT REPRESENTATIONS**

We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit. This letter, provided by management, has been included as additional material to this report.

AUDITOR INDEPENDENCE

We confirm to Council that we are independent of the County. Our letter to Council discussing our independence is included as part of the additional materials attached to this report.

APPENDIX A – MNP AUDIT PROCESS

Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the financial statements considered separately.

Our audit process focused on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment enabled us to concentrate our audit procedures on the areas where differences were most likely to arise. Where possible, reliance was placed on the controls within these systems to reduce the extent of our testing of transactions and year-end balances. Our assessment was not, nor was it intended to be, sufficient to conclude on the effectiveness or efficiency of internal controls.

During the course of our audit, we have:

- Examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessed the accounting principles used and significant estimates made by management;
- Obtained an understanding of the County and its environment, including management internal controls (regardless of whether we relied on them for the purpose of the audit), sufficient to identify and assess the risks of material misstatement of the financial statements and to design and perform audit procedures;
- Reviewed and assessed those accounting systems deemed necessary to support our audit opinion;
- Evaluated the overall financial statement presentation;
- Performed a subsequent events review with management;
- Reviewed and assessed the status of contingencies, commitments and guarantees; and
- Reviewed and assessed exposure to environmental liabilities.

We have obtained written representations from management, included as additional materials following this report, in order to confirm oral representations given to us and reduce the possibility of misunderstanding. Specifically, we have obtained written confirmation of significant representations provided on matters that are:

- Directly related to items that are material, either individually or in the aggregate, to the financial statements;
- Not directly related to items that are material to the financial statements, but are significant, either individually or in the aggregate, to the engagement; and
- Matters relevant to management judgments or estimates that are material, either individually or in the aggregate, to the financial statements.

APPENDIX B – SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROLS

DESCRIPTION	COMMENTS
VACATION ACCRUALS	<p>Observation:</p> <p>Limits on the amount of vacation time that an employee is able to accrue are not being enforced. Vacation banks for senior management are difficult to verify.</p> <p>There were 15 salary employees with greater than 200 hours vacation accrued as at December 31, 2020. Policy in general is that 2 weeks vacation can be carried forward to the next year. Due to COVID it is our understanding that an additional 2 weeks were allowed to be carried forward for a one time payout.</p> <p>Impact:</p> <p>In general, when employees are not required to take their vacation time there can be additional fraud risk. In addition, when vacation pay payouts are allowed, this increases the risk of manipulation of vacation banks as it could result in extra cash paid to the employees. Although the payout was indicated as one time, we wanted to bring to the attention of management that policies of this nature may result in the need for enhanced controls over the accuracy of vacation banks earned and used in the year. In particular, a policy around senior manager vacation banks review may be prudent. We also wanted to highlight the cash flow risk to the County from large vacation liabilities being accumulated as well as business risk resulting if the large banks result in the entity being without key employees for substantial periods of time.</p> <p>Recommendation:</p> <p>Employees should be encouraged to utilize vacation time on a regular basis. Limits to carryforwards should be monitored and enforced. Special consideration should be given to monitoring the accuracy of vacation banks for senior management.</p> <p>Management's Response:</p> <p>Management realizes there may be risk in this area. Management has taken steps to mitigate the buildup of unused vacation. Strategies include; 1) Management continually encourages employees to use their allotted yearly vacation, 2) Policy A-101-02 terms and conditions outlines that an employee can carry forward 10 days of vacation into the following year, 3) Due to COVID 19 Senior management allowed a onetime only, vacation payout to a maximum of 10 days, 4) Payroll reports employee outstanding vacation to managers throughout the year.</p>

APPENDIX C – SUMMARY OF SIGNIFICANT DIFFERENCES

SIGNIFICANT UNADJUSTED DIFFERENCES

DIFFERENCES NOTED AND ITEMS AFFECTED	FINANCIAL POSITION	EARNINGS
<p>Gravel pit reclamation obligation is understated, which is carried forward from the prior year with an opening accumulated surplus impact of \$1,852,600 and current year impact on ending liabilities and earnings for the year as noted in this table.</p> <p>Management response – Management continues to monitor gravel pit reclamation. Strategies to mitigate this risk include; 1) sell some of Rocky View County's gravel pits, 2) yearly budgeting (\$200,000 - \$400,000) for the reclamation of active gravel pits, 2) increased funding for the gravel pit liability to address future reclamation liability.</p>	\$ (767,413)	\$ 1,085,187
Total Unadjusted Differences (Earnings Effect)		\$ 1,085,187

Canadian generally accepted auditing standards require that we request of management and Council that identified unadjusted differences be corrected. We have made this request of management, however based on both quantitative and qualitative considerations management has decided not to correct those identified differences that remain unadjusted. They have represented to us that in their judgment the unadjusted differences are, both individually and in the aggregate, not material to the financial statements.

We concur with management's representation that the unadjusted differences are not material to the financial statements and, accordingly, these unadjusted differences have no effect on our Independent Auditor's Report.

DRAFT INDEPENDENT AUDITOR'S REPORT

(See Attached)

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 "Municipality"), which comprise the statement of financial position as at December 31, 2020, 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 Municipality as at December 31, 2020, and the results of its operations, changes in its 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 Municipality 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 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.

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality'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 Municipality's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- 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

April 27, 2021

Chartered Professional Accountants

MANAGEMENT REPRESENTATIONS

(See Attached)

April 27, 2021

MNP LLP
4922 - 53 St.
Red Deer, Alberta T4N 2E9

To Whom It May Concern:

In connection with your audit of the financial statements of Rocky View County ("the County") as at December 31, 2020 and for the year then ended, we hereby confirm to the best of our knowledge and belief, the following representations made to you during the course of your audit.

We understand that your audit was made in accordance with Canadian generally accepted auditing standards. Accordingly, the audit included an examination of the accounting system, controls and related data, and tests of the accounting records and such other auditing procedures as you considered necessary in the circumstances, for the purpose of expressing an opinion on the financial statements. We also understand that such an audit is not designed to identify, nor can it necessarily be expected to disclose, misstatements, non-compliance with laws and regulations, fraud or other irregularities, should there be any.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 13, 2020, for the preparation and fair presentation of the County's financial statements and comparatives in accordance with Canadian public sector accounting standards. We believe these financial statements and comparatives are complete and present fairly, in all material respects, the financial position of the County as at December 31, 2020 and the results of its operations and its cash flows, in accordance with Canadian public sector accounting standards.
2. All transactions have been recorded in the accounting records and are reflected in the financial statements, and are reported in the appropriate period.
3. We acknowledge that we are responsible for the accounting policies followed in the preparation of the County's financial statements. Significant accounting policies, and any related changes to significant accounting policies, are disclosed in the financial statements. The selection of accounting policies is appropriate in accordance with the requirements of Canadian public sector accounting standards, and are applied consistently throughout the financial statements.
4. We have disclosed to you all significant assumptions used in making accounting estimates and judgments, and believe they are reasonable.
5. We are aware of and concur with the contents and results of the journal entries prepared pertaining to the prior period error correction, and accept responsibility for the financial statement effects of the entries.
6. We believe the effects of those uncorrected financial statement differences aggregated by you during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these differences has been attached to this written representation.
7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
8. All events or transactions that have occurred subsequent to the statement of financial position and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed appropriately in the financial statements.

9. We further acknowledge the following items related specifically to COVID-19:
- We have assessed the impact of COVID-19 on the County's operations and have provided you all information relevant to the impact it has had and/or is anticipated to have on the County's operations.
 - We have made available to you all source documentation requested, whether in original or scanned/electronic format. Where information has been provided in scanned/electronic format, it has been accurately reproduced.
 - All events or transactions that have occurred subsequent to the statement of financial position and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed appropriately in the financial statements.
10. All plans or intentions that may affect the carrying value or classification of assets and liabilities are appropriately reflected in the financial statements in accordance with Canadian public sector accounting standards.
11. All liabilities, both known and contingent, requiring recognition or disclosure in the financial statements in accordance with the requirements of Canadian public sector accounting standards have been adjusted or disclosed as appropriate.
12. All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the financial statements.
13. All assets, wherever located, to which the County had satisfactory title at the year-end, have been fairly stated and recorded in the financial statements. The assets are free from hypothecation, liens and encumbrances, except as noted in the financial statements. We have disclosed the nature and carrying amounts of any assets pledged as collateral. All assets of uncertain value, and restrictions imposed on assets, are appropriately reported in the financial statements.
14. All aspects of laws, regulations or contractual agreements, including non-compliance, are appropriately reflected in the financial statements.
15. Accounts and contributions receivable are correctly described in the records and represent valid claims as at December 31, 2020. An appropriate allowance has been made for losses from uncollectible accounts and for costs or expenses that may be incurred with respect to sales made or services rendered.
16. Inventory is correctly recorded in the financial statements in accordance with the requirements of Canadian public sector accounting standards. All required provisions for slow-moving, obsolete, and unsaleable stock have been recorded. Inventory does not include any goods on consignment to others or goods invoiced to customers.
17. All charges to tangible capital assets represent capital expenditures. No expenditures of a capital nature were charged to operations of the County. Depreciation of property, plant and equipment has been recorded according to our best estimates of their useful lives. All events or circumstances giving rise to impairments are appropriately reflected in the financial statements.
18. All long-term debt and capital lease obligations have been appropriately recorded in the financial statements. All payments and accrued interest has been accounted for. The current portion of long-term debt and capital lease obligations is appropriately classified.
19. Revenue has been recognized only where sales have been made and items delivered, or services rendered, and the amounts have been collected or are collectible. Revenues do not include any amounts arising from consignment sales or from any other transaction from which the County is not entitled to the proceeds.

Information provided

1. We have responded fully to all inquiries made to us and have made available to you:
 - A complete record of all financial records that are relevant to the preparation and presentation of the financial statements and minutes of the meetings of the Council held throughout the year to the present date as well as summaries of recent meetings for which minutes have not yet been prepared;
 - Additional information that you have requested from us for the purpose of your audit;
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. We acknowledge management's responsibility for the design, implementation and operation of controls that have been designed to prevent and detect fraud.
3. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.
4. Where the impact of any frauds or suspected frauds, and non-compliance or possible non-compliance with laws and regulations, has a material effect on the financial statements, we have disclosed to you all known significant facts relating thereto, including circumstances involving management, employees having significant roles over controls, and others. We have made known to you any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators and others. The effects of such events, if any, are properly presented in the financial statements.
5. We have disclosed to you all deficiencies in the design or operation of internal controls over financial reporting of which we are aware.
6. We have disclosed to you all aspects of laws, regulations or contractual agreements that may affect the financial statements, including non-compliance.
7. We have disclosed to you the identities of all related parties to the County and all related party relationships and transactions of which we are aware.
8. We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.
9. The previous year's representation letter dated May 26, 2020 is still applicable to the prior year's financial statements and comparatives, and no matters have arisen that require restatement of those financial statements and comparatives.
10. There are no discussions with your firm's personnel regarding employment with the County.

Professional Services

1. We acknowledge the engagement letter dated October 13, 2020, which states the terms of reference regarding your professional services.
2. We are not aware of any reason why MNP LLP would not be considered independent for purposes of the County's audit.

Sincerely,

Rocky View County

Signature

Title

INDEPENDENCE COMMUNICATION

(See Attached)

April 27, 2021

Council
Rocky View County
262075 Rocky View Point
Rocky View County, AB T4A 0X2

Dear Sirs/Mesdames:

We have been engaged to audit the financial statements of Rocky View County ("the County") as at December 31, 2020 and for the year then ended.

CAS 260 *Communication With Those Charged With Governance* requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the County and its related entities or persons in financial reporting oversight roles at the County and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider relevant rules and related interpretations prescribed by the appropriate professional accounting body and applicable legislation, covering such matters as:

- (a) Holding a financial interest, either directly or indirectly, in a client;
- (b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client or a related entity;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
- (d) Economic dependence on a client; and
- (e) Provision of non-assurance services in addition to the audit engagement.

We are not aware of any relationship between the County and MNP that, in our professional judgment, may reasonably be thought to bear on our independence, which have occurred from January 1, 2020 to April 27, 2021.

We hereby confirm that MNP is independent with respect to the County within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta as of April 27, 2021.

The total fees charged to the County for 2020 audit services interim billings were \$21,000 during the period from January 1, 2020 to April 27, 2021. In addition, the total fees charged for the 2019 audit services during the period noted was \$21,000. There was also \$4,000 in fees charged for other services (LAPP and FCSS reporting) during the period. There were no billings for non-audit services.

This report is intended solely for the use of Council, management and others within the County and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you at our meeting on April 27, 2021. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Sincerely,

MNP LLP

Chartered Professional Accountants

MNP LLP – Wherever Business Takes You

Assurance › Consulting › Tax

About MNP LLP

MNP is a leading national accounting, tax and business consulting firm in Canada. We proudly serve and respond to the needs of our clients in the public, private and not-for-profit sectors. Through partner-led engagements, we provide a collaborative, cost-effective approach to doing business and personalized strategies to help organizations succeed across the country and around the world.

