

**TOWN OF RAINBOW LAKE**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

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**Auditor's Report**

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**MANAGEMENT RESPONSIBILITY  
FOR FINANCIAL REPORTING**

The accompanying Consolidated Financial Statements of Town of Rainbow Lake for the year ended December 31, 2009 have been prepared by management and approved by the Mayor and Council. Management is responsible for the information and representations contained in these financial statements.

The Town of Rainbow Lake maintains appropriate processes to ensure that relevant and reliable financial information is produced. The Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in Canada. The significant accounting policies, which management believes are appropriate for the Town of Rainbow Lake, are described in Note 1 to the Consolidated Financial Statements.

The Mayor and Council are responsible for reviewing and approving the Consolidated Financial Statements and overseeing management's performance of its financial reporting responsibilities. The Mayor and Council have reviewed the Consolidated Financial Statements, adequacy of internal controls, audit process and financial reporting with management and with the external auditors prior to the approval of the audited Consolidated Financial Statements for publication.

The external auditors, appointed by the Council, conducted an audit of these Consolidated Financial Statements in accordance with Canadian generally accepted auditing standards to enable them to express their opinion to the Town's ratepayers. Their report is presented herein.

\_\_\_\_\_  
Mayor.

\_\_\_\_\_  
Chief Administrative Officer

**LIONEL L. LARCOMBE, Chartered Accountant**

17315A - 108 AVENUE, EDMONTON, ALBERTA T5S 1G2 (780) 484-5271

**AUDITOR'S REPORT**

To the Mayor and Council of the Town of Rainbow Lake:

I have audited the Consolidated Statement of Financial Position, the Consolidated Statement of Operations, Consolidated Statement of Change in Net Financial Assets (Debt) and the Consolidated Statement of Cash Flows of the Town of Rainbow Lake as at December 31, 2009. These statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town of Rainbow Lake as at December 31, 2009 and the results of its operations, the change in net financial assets (debt) and its cash flows position for the year then ended in accordance with Canadian generally accepted accounting principles.



LIONEL L. LARCOMBE  
Chartered Accountant

Edmonton, Alberta  
March 15, 2010

## TOWN OF RAINBOW LAKE

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u> (Restated)
<b><u>ASSETS</u></b>		
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments - Note 2	\$ 3,714,656	\$ 2,223,076
Taxes and grants in place of taxes receivable - Note 3	131,768	79,346
Trade and other receivables	498,342	2,310,802
Land inventory held for resale	200,485	200,515
Long term investment in and advances to Gas Alberta Inc.	22,611	22,611
<b>Total Financial Assets</b>	<u>4,567,862</u>	<u>4,836,350</u>
<b>LIABILITIES</b>		
Short-term borrowing	-	101,728
Accounts payable and accrued liabilities	373,360	761,463
Employee benefit obligations - Note 4	83,112	56,970
Deposit liabilities	107,100	115,856
Deferred revenue - Note 5	454,772	505,575
Excess requisition reserve	-	13,544
Long-term debt - Note 6	3,277,820	3,527,399
<b>Total Liabilities</b>	<u>4,296,164</u>	<u>5,082,535</u>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<u>271,698</u>	<u>(246,185)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets - Schedule 1	27,029,486	27,500,924
Inventory for consumption	17,824	20,458
Prepaid expenses	84,211	65,838
	<u>27,131,521</u>	<u>27,587,220</u>
<b>ACCUMULATED SURPLUS - (Note 8)</b>	<u>\$ 27,403,219</u>	<u>\$ 27,341,035</u>

(See accompanying notes)

## TOWN OF RAINBOW LAKE

## CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

	2009 BUDGET	2009	2008 (Restated)
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	\$ 1,540,575	\$ 1,242,542	\$ 1,138,623
Sales and user charges	2,685,075	2,169,904	2,724,487
Government transfers for operating (Schedule 3)	840,273	975,622	971,964
Penalties and costs on taxes	30,000	10,105	47,165
Licenses, fines and permits	13,590	62,329	16,617
Franchise and concession contracts	58,000	62,750	57,170
Returns on investments	47,540	13,311	53,449
Rentals	146,580	151,304	133,714
Developers agreements and levies	-	8,483	8,481
Other income	-	30,363	-
Gas system construction user charges	-	-	3,800
<b>TOTAL REVENUE</b>	<b>5,361,633</b>	<b>4,726,713</b>	<b>5,155,470</b>
<b>EXPENSES</b>			
Legislative	165,175	135,352	32,233
Administration	497,950	483,354	474,082
Fire, disaster and ambulance services	214,670	125,863	155,142
By-law enforcement	126,000	180,024	134,220
Common services	292,465	263,020	167,497
Roads, street, walks, lighting	297,023	210,876	215,417
Airport services	364,879	252,563	243,703
Water and wastewater	885,391	787,119	706,858
Waste management	125,538	139,978	97,547
Family and community support services	43,530	35,793	39,851
Planning, zoning and development	55,417	32,767	40,392
Economic development	24,230	9,136	8,158
Subdivision land development	20,000	30	12,517
Housing rentals	140,200	123,233	96,152
Recreation, parks and library services	545,677	415,842	430,164
Gas production and distribution	1,245,950	800,653	1,122,994
Cable TV and internet services	151,840	117,794	162,467
Amortization	-	831,956	785,704
Loss on disposal of tangible capital assets	-	15,565	-
<b>TOTAL EXPENSES</b>	<b>5,195,935</b>	<b>4,960,918</b>	<b>4,925,098</b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER</b>	<b>165,698</b>	<b>(234,205)</b>	<b>230,372</b>
<b>OTHER</b>			
Government transfers for capital	388,000	296,389	988,075
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>553,698</b>	<b>62,184</b>	<b>1,218,447</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>27,341,035</b>	<b>27,341,035</b>	<b>26,122,588</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ 27,894,733</b>	<b>\$ 27,403,219</b>	<b>\$ 27,341,035</b>

(See accompanying notes)

## TOWN OF RAINBOW LAKE

## CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u> <u>(Restated)</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ 62,184	\$ 1,218,447
Purchases of tangible capital assets - engineering structures	(291,285)	(1,172,408)
Purchases of tangible capital assets - machinery and equipment	(7,418)	(948)
Purchase of tangible capital assets - vehicles	-	(70,320)
Purchase of tangible capital assets - land improvements	(86,314)	-
Proceeds on disposal of tangible capital assets	8,934	-
Amortization of tangible capital assets	831,956	785,704
(Gain) loss on sale of tangible capital assets	15,565	-
	<u>471,438</u>	<u>(457,972)</u>
Acquisition of supplies inventory	-	(9,576)
Acquisition of prepaid assets	(18,373)	(9,755)
Use of supplies inventory	2,634	-
	<u>(15,739)</u>	<u>(19,331)</u>
<b>(INCREASE) DECREASE IN NET DEBT</b>	517,883	741,144
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	<u>(246,185)</u>	<u>(987,329)</u>
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	<u>\$ 271,698</u>	<u>\$ (246,185)</u>

(See accompanying notes)

## TOWN OF RAINBOW LAKE

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u> (Restated)
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOWLLLOWING:</b>		
<b>Operating</b>		
Excess of revenue over expenses	\$ 62,184	\$ 1,218,447
Non-cash items included in excess (shortfall) of revenue over expenses:		
Amortization of capital assets	831,956	785,704
Loss on disposal of tangible capital assets	15,565	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place receivables	(52,422)	(20,830)
Decrease (increase) in trade and other receivables	1,812,460	743,611
Decrease (increase) in land held for resale	30	
Decrease (increase) in inventory for consumption	2,634	(9,576)
Decrease (increase) in prepaid expenses	(18,373)	(9,755)
Increase (decrease) in accounts payable and accrued liabilities	(361,961)	297,596
Increase (decrease) in deposit liabilities	(8,756)	13,033
Increase (decrease) in over-requisition reserve	(13,544)	13,544
Increase (decrease) in deferred revenue	(50,803)	223,554
<b>Cash provided by operating transactions</b>	<u>2,218,970</u>	<u>3,255,328</u>
<b>Capital</b>		
Acquisition of capital assets	(385,018)	(1,243,676)
Proceeds on sale of capital assets	8,934	-
<b>Cash applied to capital transactions</b>	<u>(376,084)</u>	<u>(1,243,676)</u>
<b>Financing</b>		
Long-term debt repaid	(249,579)	(233,382)
<b>Cash applied to financing transactions</b>	<u>(249,579)</u>	<u>(233,382)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	1,593,307	1,778,270
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	2,121,348	343,078
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<u>\$ 3,714,655</u>	<u>\$ 2,121,348</u>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments - Note 2	\$ 3,714,656	\$ 2,223,076
Temporary bank indebtedness	-	(101,728)
	<u>\$ 3,714,656</u>	<u>\$ 2,121,348</u>

SCHEDULE 1

TOWN OF RAINBOW LAKE  
 SCHEDULE OF TANGIBLE CAPITAL ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Total 2009	Total 2008
<b>COST</b>								
<b>BALANCE, BEGINNING OF THE YEAR</b>	\$ 510,917	926,150	9,463,490	24,069,031	884,526	1,288,051	37,142,165	35,899,436
Acquisition of tangible capital assets	-	86,314	-	291,286	7,418	-	385,018	1,242,728
Construction in progress	-	-	-	-	-	-	-	-
Cost of tangible capital assets disposed	-	-	-	-	-	(271,561)	(271,561)	-
<b>BALANCE, END OF THE YEAR</b>	510,917	1,012,464	9,463,490	24,360,317	891,944	1,016,490	37,255,622	37,142,164
<b>ACCUMULATED AMORTIZATION</b>								
<b>BALANCE, BEGINNING OF THE YEAR</b>	-	736,763	2,358,286	4,965,554	754,817	825,821	9,641,241	8,855,536
Annual amortization	-	20,914	193,534	540,468	26,217	50,823	831,956	785,704
Accumulated amortization on assets sold or disposed	-	-	-	-	-	(247,061)	(247,061)	-
<b>BALANCE, END OF THE YEAR</b>	-	757,677	2,551,820	5,506,022	781,034	629,583	10,226,136	9,641,240
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	\$ 510,917	254,787	6,911,670	18,854,295	110,910	386,907	27,029,486	27,500,924
<b>2008 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	\$ 510,917	189,387	7,105,204	19,103,477	129,709	462,230		27,500,924

(See accompanying notes)



) SCHEDULE 2

**TOWN OF RAINBOW LAKE**

**SCHEDULE OF PROPERTY TAXES LEVIED**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budget</u>	<u>2009</u>	<u>2008</u>
<b>Taxation</b>			
Real property taxes	\$ 1,467,760	\$ 1,466,792	\$ 1,393,465
Linear property taxes	22,595	22,596	25,318
Government grants in place of property taxes	27,220	27,220	25,230
Special assessments and local improvements	23,000	23,351	23,351
	<u>1,540,575</u>	<u>1,539,959</u>	<u>1,467,364</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	-	276,879	305,085
Mackenzie Housing Management Board	-	20,538	23,656
	<u>-</u>	<u>297,417</u>	<u>328,741</u>
<b>Net municipal property taxes</b>	<b>\$ 1,540,575</b>	<b>\$ 1,242,542</b>	<b>\$ 1,138,623</b>

SCHEDULE 3

**TOWN OF RAINBOW LAKE**

**SCHEDULE OF GOVERNMENT TRANSFERS RECEIVED**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budget</u>	<u>2009</u>	<u>2008</u>
<b>TRANSFERS FOR OPERATING</b>			
Provincial government	\$ 75,533	\$ 173,011	\$ 219,756
Federal government	14,740	4,282	-
Other local governments	750,000	798,329	752,208
	<u>840,273</u>	<u>975,622</u>	<u>971,964</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	388,000	296,389	988,075
Federal government	-	-	-
Other local governments	-	-	-
	<u>388,000</u>	<u>296,389</u>	<u>988,075</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<b>\$ 1,228,273</b>	<b>\$ 1,272,011</b>	<b>\$ 1,960,039</b>

(See accompanying notes)

## TOWN OF RAINBOW LAKE

## SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT

## FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u>
<b>Expenditures</b>		
Salaries, wages and benefits	\$ 1,078,081	\$ 945,820
Contracted and general services	1,553,197	1,272,861
Materials, goods, supplies, and utilities	1,284,458	1,691,900
Provision for allowances	8,500	12,500
Contributions to own agencies and boards	3,000	12,942
Bank charges and short term interest	2,678	2,274
Interest on long-term debt	182,489	198,687
Other expenditures	994	2,410
Amortization of tangible capital assets	831,956	785,704
Loss on disposal of tangible capital assets	15,565	-
<b>Total</b>	<u>\$ 4,960,918</u>	<u>\$ 4,925,098</u>

(See accompanying notes)

## TOWN OF RAINBOW LAKE

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town of Rainbow Lake are as follows:

**a) Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources. Included with the Town are the following:

Town of Rainbow Lake Volunteer Fire Department  
Town of Rainbow Lake Public Library

The schedule of taxes levied also includes operating requisitions for educational, health care, and other external organizations that are not part of the municipal reporting entity.

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

**b) Basis of Accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon the receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purposes 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 the purchase/construction of tangible capital assets. In addition, certain user charges and fees are collected for which 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 asset is acquired.

**c) Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.

**d) Inventories of Land for Resale**

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

## TOWN OF RAINBOW LAKE

## NOTES TO THE FINANCIAL STATEMENTS continued

## FOR THE YEAR ENDED DECEMBER 31, 2009

**e) Pension Expenditure**

The Town participates in a multi-employer defined benefit pension plan. The plan is accounted for as a defined contribution plan.

**f) 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.

**g) Non-Financial Assets**

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

**h) Tangible Capital Assets**

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

	Years
Land improvements	15 - 30
Buildings	15 - 75
Engineering structures	
Water system	44 - 75
Wastewater system	75 - 75
Other engineered structures	10 - 30
Machinery and equipment	5 - 25
Vehicles	10 - 30

Assets under construction are not amortized until the asset is available for productive use.

**i) 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.

**j) Leases**

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

**k) Inventories**

Inventories held for consumption are recorded at the lower of cost and replacement value.

## TOWN OF RAINBOW LAKE

## NOTES TO THE FINANCIAL STATEMENTS continued

## FOR THE YEAR ENDED DECEMBER 31, 2009

**l) Over-levies and Under-levies**

Over-levies and under-levies arise from the difference between the actual 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 property tax revenue is increased.

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

**2. CASH AND TEMPORARY INVESTMENTS**

	<u>2009</u>	<u>2008</u> (Restated)
Cash on hand	\$ 525	\$ 525
Cash on deposit	181,849	240,573
Temporary investments	<u>3,532,282</u>	<u>1,981,978</u>
	<u>\$ 3,714,656</u>	<u>\$ 2,223,076</u>

Council has designated funds of \$2,698,309 (2008 - \$2,612,727) for various operating and capital purposes.

Included in the above amounts is debenture funding received but unspent at the year end totaling \$527,670. These funds are committed to be spent on the project for which they were received.

Included in the above balance are deferred contributions totaling \$454,772 (2008 - \$505,575) (Note 10).

**3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES**

	<u>2009</u>	<u>2008</u> (Restated)
Current taxes and grants in place of taxes	\$ 97,927	\$ 75,681
Taxes and grants in place of taxes in arrears	<u>33,841</u>	<u>5,089</u>
	131,768	80,770
Less: allowance for doubtful accounts	<u>-</u>	<u>(1,424)</u>
	<u>\$ 131,768</u>	<u>\$ 79,346</u>

**4. EMPLOYEE BENEFITS OBLIGATIONS**

	<u>2009</u>	<u>2008</u> (Restated)
Vacation and overtime payable	\$ 70,667	\$ 56,552
All other employment benefits payable	<u>12,445</u>	<u>418</u>
	<u>\$ 83,112</u>	<u>\$ 56,970</u>

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

## TOWN OF RAINBOW LAKE

## NOTES TO THE FINANCIAL STATEMENTS continued

## FOR THE YEAR ENDED DECEMBER 31, 2009

## 5. DEFERRED REVENUE

Deferred revenue represents unspent resources externally restricted and operating funding received in the current year that is related to the subsequent period. Changes in the deferred revenue balance are as follows:

	<u>2009</u>	<u>2008</u> <u>(Restated)</u>
AMIP grant for water treatment plant	\$ 1,761	\$ 148,733
Provincial New Deal for Cities and Communities grant	33,336	33,157
Municipal Sustainability Initiative grant	253,973	204,531
Provincial Street Improvement grant	113,825	113,214
Tangible capital asset operating grant	-	4,233
Firesmart Grant	50,000	-
Donations and fundraising for specific projects	77	807
Gas line construction contribution received	1,800	900
Balance end of the year	<u>\$ 454,772</u>	<u>\$ 505,575</u>

Unexpended funds relating to the above balances are supported by Cash held for these projects.

## 6. LONG-TERM DEBT

	<u>2009</u>	<u>2008</u> <u>(Restated)</u>
Supported by general tax levies	\$ 739,775	\$ 796,715
Supported by special tax levies	41,690	80,116
Supported by utility charges	2,496,355	2,650,568
	<u>\$ 3,277,820</u>	<u>\$ 3,527,399</u>

Principal and interest repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 267,098	164,971	\$ 432,069
2011	216,755	146,006	362,761
2012	230,625	132,136	362,761
2013	177,244	117,195	294,439
2014	185,581	108,858	294,439
Thereafter	2,200,517	602,393	2,802,910
	<u>\$ 3,277,820</u>	<u>\$ 1,271,559</u>	<u>\$ 4,549,379</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 4.569% to 11.75% per annum and mature in periods from 2010 to 2026. Debenture debt is issued on the credit and security of the Town of Rainbow Lake at large.

Total cash payments for interest in 2009 was \$182,489 (2008 - \$198,687).

## TOWN OF RAINBOW LAKE

## NOTES TO THE FINANCIAL STATEMENTS continued

## FOR THE YEAR ENDED DECEMBER 31, 2009

## 7. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Rainbow Lake be disclosed as follows:

	<u>2009</u>	<u>2008</u> (Restated)
Total debt limit	\$ 7,075,783	\$ 6,594,597
Total debt	<u>3,277,820</u>	<u>2,810,758</u>
Amount of debt limit unused	<u>\$ 3,797,963</u>	<u>\$ 3,783,839</u>
Debt servicing limit	\$ 4,717,189	\$ 1,099,100
Debt servicing	<u>1,179,297</u>	<u>247,924</u>
Amount of debt servicing unused	<u>\$ 3,537,892</u>	<u>\$ 851,176</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at .25 time such revenue. Incurring debt beyond these limitations requires approval of the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be in financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

## 8. ACCUMULATED SURPLUS

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

	<u>2009</u>	<u>2008</u> (Restated)
Unrestricted surplus	\$ 425,573	\$ 201,939
Internally restricted surplus	2,698,309	2,612,727
Equity in tangible capital assets	<u>24,279,337</u>	<u>24,526,369</u>
Balance end of the year	<u>\$ 27,403,219</u>	<u>\$ 27,341,035</u>

## 9. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2009</u>	<u>2008</u> (Restated)
Tangible capital assets - Schedule 1	\$ 37,255,621	\$ 37,142,164
Accumulated amortization - Schedule 1	(10,226,135)	(9,641,240)
Long-term debt - Note	(3,277,820)	(3,527,399)
Unspent debenture funds cash on hand	<u>527,670</u>	<u>552,814</u>
	<u>\$ 24,279,336</u>	<u>\$ 24,526,339</u>

## TOWN OF RAINBOW LAKE

## NOTES TO THE FINANCIAL STATEMENTS continued

## FOR THE YEAR ENDED DECEMBER 31, 2009

**10 SALARY AND BENEFITS DISCLOSURE**

	2009			2008	
	Salary	Benefits & Allowances	Total	Total	
Mayor Kelly Drover	\$ 8,160	\$ -	\$ 8,160	\$ 5,430	
Councillor Boyd Langford	5,160	-	5,160	7,910	
Councillor Rose Cretney	5,000	-	5,000	3,770	
Councillor Norm Van Vliet	4,670	-	4,670	3,100	
Councillor Ryan Lacey	3,210	-	3,210	1,710	
Mayor Monty Moore	-	-	-	580	
Mayor/Councillor Jeff Savage	-	-	-	3,790	
Councillor Chris Burkholtz	-	-	-	1,640	
Chief Administrative Officer	\$ 95,078	\$ 650	\$ 95,728	\$ 136,302	
Designated Officers	-	-	-	11,044	

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

**11. CONTINGENCIES**

The Town of Rainbow Lake is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the Town of Rainbow Lake 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.

**12. COMMITMENTS**

During the 2008 the Town of Rainbow Lake issued debenture debt in the amount of \$2,200,000 to fund a sewage line upgrade program. As at the year end, \$527,670 of these funds had not been spent. The Town is committed to spend the balance of the sewage line replacement and system upgrade in the coming year.

**13. FINANCIAL INSTRUMENTS**

The Town's financial instruments consist of cash and temporary investments, receivables, prepaid expenses, accounts payable and accrued liabilities, deferred revenue and long-term debt. It is management's opinion that the town is not exposed to significant interest, currency or credit risk arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying value.



## TOWN OF RAINBOW LAKE

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2008

**14. PRIOR PERIOD ADJUSTMENT**

The Town has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook, which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions has been included in income. These adjustments are as follows:

	<u>2008</u>
Adjustments to opening accumulated surplus:	
As previously reported	\$ 42,093,252
Adjustment to net book value of tangible capital assets	(14,728,215)
As restated	<u>\$ 27,365,037</u>
Adjustments to excess of revenue over expenses:	
As previously reported	\$ 2,004,151
Tangible capital assets recorded but previously expensed	-
Annual amortization expense	(785,704)
As restated	<u>\$ 1,218,447</u>
Adjustments to tangible capital assets:	
As previously reported	\$ 42,253,140
Adjustment to historical cost of tangible capital assets	(5,110,976)
Accumulated amortization recorded	(9,644,440)
As restated	<u>\$ 27,497,724</u>

**15. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.