

TOWN OF RAINBOW LAKE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

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**MANAGEMENT RESPONSIBILITY
FOR FINANCIAL REPORTING**

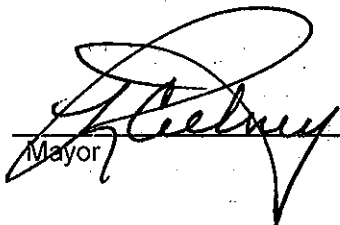
The accompanying Consolidated Financial Statements of the Town of Rainbow Lake for the year ended December 31, 2010 have been prepared by management and approved by the Council of the Town of Rainbow Lake. Management is responsible for the information and representations contained in these financial statements.

The Town maintains appropriate processes to ensure that relevant and reliable financial information is produced. The Consolidated Financial Statements have been prepared in accordance with Canadian public sector accounting standards. The significant accounting policies, which management believes are appropriate for the Town, are described in Note 1 to the Consolidated Financial Statements.

The Town Council is responsible for reviewing and approving the Consolidated Financial Statements and overseeing management's performance of its financial reporting responsibilities. The Council reviews the Consolidated Financial Statements, adequacy of internal controls, audit process and financial reporting with management and with the external auditor. The Council also approves the audited Consolidated Financial Statement for publication.

The external auditor, appointed by the Council, conducted an audit on these Consolidated Financial Statements in accordance with Canadian generally accepted auditing standards to enable him to express his opinion thereon. His report is presented herein.


Town Manager


Mayor

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

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Town of Rainbow Lake which comprise the statement of financial position as at December 31, 2010, and the statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

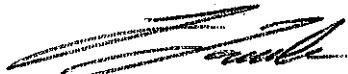
An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Rainbow Lake as at December 31, 2010 and the results of its operations, change in net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards

Edmonton, Alberta
May 5, 2011


LIONEL L. LARCOMBE
Chartered Accountant

TOWN OF RAINBOW LAKE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
ASSETS		
FINANCIAL ASSETS		
Cash and temporary investments - Note 2	\$ 2,358,025	\$ 3,714,656
Taxes and grants in place of taxes receivable - Note 3	199,677	131,768
Trade and other receivables	2,325,133	498,342
Land inventory held for resale	200,485	200,485
Long term investment in and advances to Gas Alberta Inc.	22,611	22,611
Total Financial Assets	<u>5,105,931</u>	<u>4,567,862</u>
LIABILITIES		
Accounts payable and accrued liabilities	763,236	373,360
Employee benefit obligations - Note 4	31,201	83,112
Deposit liabilities	104,375	107,100
Deferred revenue - Note 5	995,003	454,772
Long-term debit - Note 6	3,010,722	3,277,820
Total Liabilities	<u>4,904,537</u>	<u>4,296,164</u>
NET FINANCIAL ASSETS (DEBT)	<u>201,394</u>	<u>271,698</u>
NON-FINANCIAL ASSETS		
Tangible capital assets - Schedule 2	28,889,731	27,029,486
Inventory for consumption	15,965	17,824
Prepaid expenses	92,944	84,211
	<u>28,998,640</u>	<u>27,131,521</u>
ACCUMULATED SURPLUS - Schedule 1	\$ 29,200,034	\$ 27,403,219

(See accompanying notes)

TOWN OF RAINBOW LAKE

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2010

	2010 BUDGET	2010	2009
REVENUE			
Net municipal property taxes - Schedule 3	\$ 1,257,465	\$ 1,263,098	\$ 1,242,542
Sales and user charges	2,334,954	2,193,191	2,169,904
Government transfers for operating - Schedule 4	836,530	804,624	975,622
Penalties and costs on taxes	40,000	59,917	10,105
Licenses, fines and permits	13,000	25,481	62,329
Franchise and concession contracts	58,000	69,011	62,750
Returns on investments	27,540	31,616	13,311
Rentals	135,747	123,170	151,304
Developers agreements and levies	-	8,482	8,483
Other income	-	51,100	30,363
TOTAL REVENUE	4,703,236	4,629,690	4,726,713
EXPENSES			
Legislative	110,580	89,136	135,352
Administration	370,135	329,382	483,354
Fire and disaster services	155,940	155,834	125,863
By-law enforcement	154,455	181,226	180,024
Common services	334,933	281,566	263,020
Roads, street, walks, lighting	227,884	206,462	210,876
Airport services	365,590	218,756	252,563
Water and wastewater	851,762	687,127	787,119
Waste management	140,390	133,784	139,978
Family and community support services	37,175	23,778	35,793
Planning, zoning and development	83,845	81,364	32,767
Economic development	19,825	18,074	9,136
Subdivision land development	55,000	6,075	30
Housing rentals	167,675	175,412	123,233
Recreation, parks and library services	515,997	405,636	415,842
Gas production and distribution	784,080	652,116	800,653
Cable TV and internet services	140,160	132,402	117,794
Amortization	-	847,685	831,956
Net book value of assets sold	-	46,029	-
Loss on disposal of tangible capital assets	-	21,464	15,565
TOTAL EXPENSES	4,515,426	4,693,308	4,960,918
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES			
BEFORE OTHER	187,810	(63,618)	(234,205)
OTHER			
Government transfers for capital - Schedule 4	2,929,100	1,860,433	296,389
EXCESS OF REVENUE OVER EXPENSES	3,116,910	1,796,815	62,184
ACCUMULATED SURPLUS, BEGINNING OF YEAR	27,341,035	27,403,219	27,341,035
ACCUMULATED SURPLUS, END OF YEAR	\$ 30,457,945	\$ 29,200,034	\$ 27,403,219

(See accompanying notes)

TOWN OF RAINBOW LAKE

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
EXCESS OF REVENUES OVER EXPENSES	\$ 1,796,815	\$ 62,184
Purchases of tangible capital assets - engineering structures	(2,142,106)	(291,285)
Purchases of tangible capital assets - building	(80,261)	-
Purchases of tangible capital assets - machinery and equipment	(454,247)	(7,418)
Purchase of tangible capital assets - vehicles	(77,346)	-
Purchase of tangible capital assets - land improvements	-	(86,314)
Proceeds on disposal of tangible capital assets	24,566	8,934
Amortization of tangible capital assets	847,685	831,956
(Gain) loss on sale of tangible capital assets	21,464	15,565
	<u>(1,860,245)</u>	<u>471,438</u>
Acquisition of prepaid assets	(8,733)	(18,373)
Use of supplies inventory	1,859	2,634
	<u>(6,874)</u>	<u>(15,739)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(70,304)	517,883
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	271,698	(246,185)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ 201,394	\$ 271,698

(See accompanying notes)

TOWN OF RAINBOW LAKE

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOWLLING:		
Operating		
Excess of revenue over expenses	\$ 1,796,815	\$ 62,184
Non-cash items included in excess of revenue over expenses:		
Amortization of capital assets	847,685	831,956
Loss on disposal of tangible capital assets	21,464	15,565
	<u>2,665,964</u>	<u>909,705</u>
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place receivables	(67,909)	(52,422)
Decrease (increase) in trade and other receivables	(1,826,790)	1,812,460
Decrease (increase) in land held for resale	-	30
Decrease (increase) in inventory for consumption	1,859	2,634
Decrease (increase) in prepaid expenses	(8,733)	(18,373)
Increase (decrease) in accounts payable and accrued liabilities	337,965	(361,961)
Increase (decrease) in deposit liabilities	(2,725)	(8,756)
Increase (decrease) in over-requisition reserve	-	(13,544)
Increase (decrease) in deferred revenue	540,231	(50,803)
Cash provided by operating transactions	<u>1,639,862</u>	<u>2,218,970</u>
Capital		
Acquisition of capital assets	(2,753,960)	(385,018)
Proceeds on sale of capital assets	24,566	8,934
Cash applied to capital transactions	<u>(2,729,394)</u>	<u>(376,084)</u>
Financing		
Long-term debt repaid	(267,098)	(249,579)
Cash applied to financing transactions	<u>(267,098)</u>	<u>(249,579)</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(1,356,630)	1,593,307
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	3,714,655	2,121,348
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 2,358,025</u>	<u>\$ 3,714,655</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments - Note 2	\$ 2,358,025	\$ 3,714,656

SCHEDULE 1

TOWN OF RAINBOW LAKE

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2010

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	Total 2010	Total 2009
BALANCE, BEGINNING OF THE YEAR	\$ 425,573	2,698,309	24,279,337	27,403,219	27,341,035
Excess of revenue over expenditures	1,796,815	-	-	1,796,815	62,184
Unrestricted funds designed for future use	(627,274)	627,274	-	-	-
Restricted funds used for operations	30,000	(30,000)	-	-	-
Restricted funds used for tangible capital assets	-	(787,858)	787,858	-	-
Current year funds used for TCA	(105,668)	-	105,668	-	-
Federal and provincial grants for TCA	(1,860,433)	-	1,860,433	-	-
Annual amortization expense	847,685	-	(847,685)	-	-
Long term debt repaid	(172,307)	-	172,307	-	-
Cost of capital asset disposed	46,029	-	(46,029)	-	-
Change in accumulated surplus	(45,153)	(190,584)	2,032,552	1,796,815	62,184
BALANCE, END OF YEAR	\$ 380,420	2,507,725	26,311,889	29,200,034	27,403,219

SCHEDULE 2

**TOWN OF RAINBOW LAKE
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010**

COST	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Total 2010	Total 2009
BALANCE, BEGINNING OF THE YEAR	\$ 510,917	1,012,454	9,453,490	24,360,317	891,944	1,016,490	37,255,622	37,142,165
Acquisition of tangible capital assets	-	-	80,261	1,136	-	-	81,397	385,018
Construction in progress	-	-	-	2,140,970	454,247	77,346	2,672,563	-
Cost of tangible capital assets disposed	-	-	-	-	-	(63,382)	(63,382)	(271,561)
BALANCE, END OF THE YEAR	510,917	1,012,454	9,543,751	26,502,423	1,346,191	1,030,454	39,946,200	37,255,622
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF THE YEAR	-	757,677	2,551,820	5,506,022	781,034	629,583	10,226,136	9,641,241
Annual amortization	-	23,791	203,478	551,677	21,466	47,273	847,685	831,956
Accumulated amortization on assets disposed or sold	-	-	-	-	-	(17,352)	(17,352)	(247,061)
BALANCE, END OF THE YEAR	-	781,468	2,755,298	6,057,699	802,500	659,504	11,056,469	10,226,136
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 510,917	230,986	6,788,453	20,444,724	543,691	370,950	28,889,731	27,029,486
2009 NET BOOK VALUE	\$ 510,917	254,787	6,911,670	18,854,295	110,910	386,907	27,029,486	27,029,486

(See accompanying notes)

SCHEDULE 3

TOWN OF RAINBOW LAKE

SCHEDULE OF PROPERTY TAXES LEVIED

FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budget</u>	<u>2010</u>	<u>2009</u>
Taxation			
Real property taxes	\$ 1,473,181	\$ 1,468,051	\$ 1,466,792
Linear property taxes	20,835	26,233	22,596
Government grants in place of property taxes	21,970	27,146	27,220
Special assessments and local improvements	23,350	23,535	23,351
	<u>1,539,336</u>	<u>1,544,965</u>	<u>1,539,959</u>
Requisitions			
Alberta School Foundation Fund	263,675	263,671	276,879
Mackenzie Housing Management Board	18,196	18,196	20,538
	<u>281,871</u>	<u>281,867</u>	<u>297,417</u>
Net municipal property taxes	\$ 1,257,465	\$ 1,263,098	\$ 1,242,542

SCHEDULE 4

TOWN OF RAINBOW LAKE

SCHEDULE OF GOVERNMENT TRANSFERS RECEIVED

FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budget</u>	<u>2010</u>	<u>2009</u>
TRANSFERS FOR OPERATING			
Provincial government	\$ 108,410	\$ 76,492	\$ 173,011
Federal government	4,120	4,115	4,282
Other local governments	724,000	724,017	798,329
	<u>836,530</u>	<u>804,624</u>	<u>975,622</u>
TRANSFERS FOR CAPITAL			
Provincial government	1,477,100	1,093,988	296,389
Federal government	1,452,000	766,445	-
	<u>2,929,100</u>	<u>1,860,433</u>	<u>296,389</u>
TOTAL GOVERNMENT TRANSFERS	\$ 3,765,630	\$ 2,665,057	\$ 1,272,011

(See accompanying notes)

TOWN OF RAINBOW LAKE

SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
Expenditures		
Salaries, wages and benefits	\$ 1,082,505	\$ 1,078,081
Contracted and general services	1,257,960	1,553,197
Materials, goods, supplies, and utilities	1,264,554	1,284,458
Provision for allowances	-	8,500
Contributions to own agencies and boards	3,000	3,000
Bank charges and short term interest	4,140	2,678
Interest on long-term debt	164,971	182,489
Other expenditures	1,000	994
Amortization of tangible capital assets	847,685	831,956
Net book value of TCA sold	46,029	-
Loss on disposal of tangible capital assets	21,464	15,565
Total	\$ 4,693,308	\$ 4,960,918

(See accompanying notes)

TOWN OF RAINBOW LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010

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, 2010

1) 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>2010</u>	<u>2009</u>
Cash on hand	\$ 525	\$ 525
Cash on deposit	67,084	181,849
Temporary investments	<u>2,290,416</u>	<u>3,532,282</u>
	<u>\$ 2,358,025</u>	<u>\$ 3,714,656</u>

Council has designated funds of \$2,507,725 (2009 - \$2,698,309) for various operating and capital purposes.

Included in the above amounts is debenture funding received but unspent at the year end totaling \$432,880. These funds are committed to be spent on the project for which they were received.

Included in the above balance are deferred contributions totaling \$995,003 (2009 - \$454,772) (Note 10).

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2010</u>	<u>2009</u>
Current taxes and grants in place of taxes	\$ 173,241	\$ 97,927
Taxes and grants in place of taxes in arrears	<u>26,436</u>	<u>33,841</u>
	199,677	131,768
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 199,677</u>	<u>\$ 131,768</u>

4. EMPLOYEE BENEFITS OBLIGATIONS

	<u>2010</u>	<u>2009</u>
Vacation and overtime payable	\$ 34,453	\$ 70,667
All other employment benefits payable (recoverable)	<u>(3,252)</u>	<u>12,445</u>
	<u>\$ 31,201</u>	<u>\$ 83,112</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, 2010

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>2010</u>	<u>2009</u>
AMIP grant for water treatment plant	\$ 1,769	\$ 1,761
AMIP grant unallocated	86,300	-
Provincial New Deal for Cities and Communities grant	48,568	33,336
Municipal Sustainability Initiative capital grant	581,318	253,973
Municipal Sustainability Initiative operating grant	95,673	-
Provincial Street Improvement grant	179,475	113,825
Firesmart Grant	1,000	50,000
Donations and fundraising for specific projects	-	77
Gas line construction contribution received	900	1,800
Balance end of the year	<u>\$ 995,003</u>	<u>\$ 454,772</u>

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

6. LONG-TERM DEBT

	<u>2010</u>	<u>2009</u>
Supported by general tax levies	\$ 680,153	\$ 739,775
Supported by special tax levies	-	41,690
Supported by utility charges	2,330,569	2,496,355
	<u>\$ 3,010,722</u>	<u>\$ 3,277,820</u>

Principal and interest repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2015	194,311	100,128	294,439
Thereafter	2,006,206	502,265	2,508,471
	<u>\$ 3,010,722</u>	<u>\$ 1,106,588</u>	<u>\$ 4,117,310</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 2010 was \$164,971 (2009 - \$182,489).

TOWN OF RAINBOW LAKE

NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED DECEMBER 31, 2010

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>2010</u>	<u>2009</u>
Total debt limit	\$ 6,944,533	\$ 7,075,783
Total debt	<u>3,010,721</u>	<u>3,277,820</u>
Amount of debt limit unused	<u>\$ 3,933,812</u>	<u>\$ 3,797,963</u>
Debt servicing limit	\$ 1,157,422	\$ 4,717,189
Debt servicing	<u>362,762</u>	<u>1,179,297</u>
Amount of debt servicing unused	<u>\$ 794,660</u>	<u>\$ 3,537,892</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. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2010</u>	<u>2009</u>
Tangible capital assets - Schedule 1	\$ 39,946,200	\$ 37,255,621
Accumulated amortization - Schedule 1	(11,056,469)	(10,226,135)
Long-term debt - Note	(3,010,722)	(3,277,820)
Unspent debenture funds cash on hand	<u>432,880</u>	<u>527,670</u>
	<u>\$ 26,311,889</u>	<u>\$ 24,279,336</u>

9. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, receivables, prepaid expenses, accounts payable and accrued liabilities, employee benefit obligations, 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 continued

FOR THE YEAR ENDED DECEMBER 31, 2010

10 SALARY AND BENEFITS DISCLOSURE

	2010			2009	
	Salary	Benefits & Allowances	Total	Total	
Mayor Kelly Drover	\$ 5,880	\$ -	\$ 5,880	\$	8,160
Mayor/Councillor Rose Cretney	5,450	-	5,450		5,000
Councillor Boyd Langford	7,620	-	7,620		5,160
Councillor Norm Van Vliet	4,050	-	4,050		4,670
Councillor Ryan Lacey	3,120	-	3,120		3,210
Councillor Leigh Bateman	1,290	-	1,290		1,290
Councillor Wally Olorenshaw	1,890	-	1,890		1,890
Councillor Gord Ross	810	-	810		810
Chief Administrative Officer	\$ 100,235	\$ 13,442	\$ 113,677	\$	95,728
Designated Officers	-	-	-		-

- (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, \$432,880 of these funds had not been spent. The Town is committed to spend the balance of the funds for repayment of the debenture principal.

14. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.