

**TOWN OF RAINBOW LAKE**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

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**Management's Responsibility**

**Auditor's Report**

**Consolidated Statement of Financial Position**

**Consolidated Statement of Operations**

**Consolidated Statement of Changes in Net Financial Assets (Debt)**

**Consolidated Statement of Cash Flows**

**Schedule of Changes in Accumulated Surplus**

**Schedule of Tangible Capital Assets**

**Schedule of Property Taxes Levied**

**Schedule of Government Transfers Received**

**Schedule of Consolidated Expenditure by Object**

**Notes to Financial Statements**

**MANAGEMENT RESPONSIBILITY  
FOR FINANCIAL REPORTING**

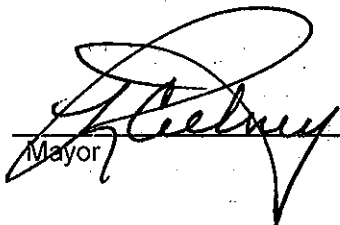
The accompanying Consolidated Financial Statements of the Town of Rainbow Lake for the year ended December 31, 2010 have been prepared by management and approved by the Council of the Town of Rainbow Lake. Management is responsible for the information and representations contained in these financial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

**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>          |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| <b>FINANCIAL ASSETS</b>                                  |                      |                      |
| 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               |
| <b>Total Financial Assets</b>                            | <u>5,105,931</u>     | <u>4,567,862</u>     |
| <b>LIABILITIES</b>                                       |                      |                      |
| 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            |
| <b>Total Liabilities</b>                                 | <u>4,904,537</u>     | <u>4,296,164</u>     |
| <b>NET FINANCIAL ASSETS (DEBT)</b>                       | <u>201,394</u>       | <u>271,698</u>       |
| <b>NON-FINANCIAL ASSETS</b>                              |                      |                      |
| 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>    |
| <b>ACCUMULATED SURPLUS - Schedule 1</b>                  | <b>\$ 29,200,034</b> | <b>\$ 27,403,219</b> |

(See accompanying notes)

## TOWN OF RAINBOW LAKE

## CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2010

|  | 2010<br>BUDGET       | 2010                 | 2009                 |
|--|----------------------|----------------------|----------------------|
| <b>REVENUE</b>                                     |                      |                      |                      |
| 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               |
| <b>TOTAL REVENUE</b>                               | <b>4,703,236</b>     | <b>4,629,690</b>     | <b>4,726,713</b>     |
| <b>EXPENSES</b>                                    |                      |                      |                      |
| 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               |
| <b>TOTAL EXPENSES</b>                              | <b>4,515,426</b>     | <b>4,693,308</b>     | <b>4,960,918</b>     |
| <b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b> |                      |                      |                      |
| <b>BEFORE OTHER</b>                                | <b>187,810</b>       | <b>(63,618)</b>      | <b>(234,205)</b>     |
| <b>OTHER</b>                                       |                      |                      |                      |
| Government transfers for capital - Schedule 4      | 2,929,100            | 1,860,433            | 296,389              |
| <b>EXCESS OF REVENUE OVER EXPENSES</b>             | <b>3,116,910</b>     | <b>1,796,815</b>     | <b>62,184</b>        |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>      | <b>27,341,035</b>    | <b>27,403,219</b>    | <b>27,341,035</b>    |
| <b>ACCUMULATED SURPLUS, END OF YEAR</b>            | <b>\$ 30,457,945</b> | <b>\$ 29,200,034</b> | <b>\$ 27,403,219</b> |

(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>       |
|--|--------------------|-------------------|
| <b>EXCESS OF REVENUES OVER EXPENSES</b>                        | \$ 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>   |
| <b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>             | (70,304)           | 517,883           |
| <b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>          | 271,698            | (246,185)         |
| <b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>                | <b>\$ 201,394</b>  | <b>\$ 271,698</b> |

(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>         |
|---|---------------------|---------------------|
| <b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOWLLING:</b>    |                     |                     |
| <b>Operating</b>  |                     |                     |
| 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)            |
| <b>Cash provided by operating transactions</b>                  | <u>1,639,862</u>    | <u>2,218,970</u>    |
| <b>Capital</b>  |                     |                     |
| Acquisition of capital assets                                   | (2,753,960)         | (385,018)           |
| Proceeds on sale of capital assets                              | 24,566              | 8,934               |
| <b>Cash applied to capital transactions</b>                     | <u>(2,729,394)</u>  | <u>(376,084)</u>    |
| <b>Financing</b>  |                     |                     |
| Long-term debt repaid   | (267,098)           | (249,579)           |
| <b>Cash applied to financing transactions</b>                   | <u>(267,098)</u>    | <u>(249,579)</u>    |
| <b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>      | (1,356,630)         | 1,593,307           |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>         | 3,714,655           | 2,121,348           |
| <b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>               | <u>\$ 2,358,025</u> | <u>\$ 3,714,655</u> |
| <b>Cash and cash equivalents is made up of:</b>                 |                     |                     |
| 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 |
|---|----------------------|--------------------|-----------------------------------|------------|------------|
| <b>BALANCE, BEGINNING OF THE YEAR</b>             | \$ 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)                          | -          | -          |
| <b>Change in accumulated surplus</b>              | (45,153)             | (190,584)          | 2,032,552                         | 1,796,815  | 62,184     |
| <b>BALANCE, END OF YEAR</b>                       | \$ 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 |
|---|------------|-------------------|-----------|-----------------------|-----------------------|-----------|------------|------------|
| <b>BALANCE, BEGINNING OF THE YEAR</b>               | \$ 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)  |
| <b>BALANCE, END OF THE YEAR</b>                     | 510,917    | 1,012,454         | 9,543,751 | 26,502,423            | 1,346,191             | 1,030,454 | 39,946,200 | 37,255,622 |
| <b>ACCUMULATED AMORTIZATION</b>                     |            |                   |           |                       |                       |           |            |            |
| <b>BALANCE, BEGINNING OF THE YEAR</b>               | -          | 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)  |
| <b>BALANCE, END OF THE YEAR</b>                     | -          | 781,468           | 2,755,298 | 6,057,699             | 802,500               | 659,504   | 11,056,469 | 10,226,136 |
| <b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>    | \$ 510,917 | 230,986           | 6,788,453 | 20,444,724            | 543,691               | 370,950   | 28,889,731 | 27,029,486 |
| <b>2009 NET BOOK VALUE</b>                          | \$ 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>         |
|--|---------------------|---------------------|---------------------|
| <b>Taxation</b>                              |                     |                     |                     |
| 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>    |
| <b>Requisitions</b>                          |                     |                     |                     |
| 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>      |
| <b>Net municipal property taxes</b>          | <b>\$ 1,257,465</b> | <b>\$ 1,263,098</b> | <b>\$ 1,242,542</b> |

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>         |
|-----------------------------------|---------------------|---------------------|---------------------|
| <b>TRANSFERS FOR OPERATING</b>    |                     |                     |                     |
| 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>      |
| <b>TRANSFERS FOR CAPITAL</b>      |                     |                     |                     |
| 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>      |
| <b>TOTAL GOVERNMENT TRANSFERS</b> | <b>\$ 3,765,630</b> | <b>\$ 2,665,057</b> | <b>\$ 1,272,011</b> |

(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>         |
|---|---------------------|---------------------|
| <b>Expenditures</b>                         |                     |                     |
| 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              |
| <b>Total</b>                                | <b>\$ 4,693,308</b> | <b>\$ 4,960,918</b> |

(See accompanying notes)

## TOWN OF RAINBOW LAKE

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

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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, 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> |
| <br>                            |                     |                     |
| 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.