

Consolidated Financial Statements of

**TOWN OF RAINBOW LAKE**

Year ended December 31, 2011

# TOWN OF RAINBOW LAKE

Consolidated Financial Statements

Year ended December 31, 2011

## Consolidated Financial Statements

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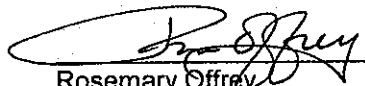
## **Management's Responsibility for the Consolidated Financial Statements**

The accompanying consolidated financial statements of the Town of Rainbow Lake (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Town. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

  
\_\_\_\_\_  
Rosemary Offrey  
Chief Administrative Officer

  
\_\_\_\_\_  
Karen Huff  
Chief Financial Officer

May 30, 2012



**KPMG LLP**  
**Chartered Accountants**  
10125 - 102 Street  
Edmonton AB T5J 3V8  
Canada

Telephone (780) 429-7300  
Fax (780) 429-7379  
Internet www.kpmg.ca

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Town of Rainbow Lake, which comprise the consolidated statement of financial position as at December 31, 2011, the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Town of Rainbow Lake as at December 31, 2011, and its consolidated results of operations, its consolidated changes in its net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Other Matter*

The consolidated financial statements of Town of Rainbow Lake as at and for the year ended December 31, 2010 were audited by another auditor who expressed an unmodified opinion on those statements on May 5, 2011.

*KPMG LLP*

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Chartered Accountants

May 30, 2012  
Edmonton, Canada

# TOWN OF RAINBOW LAKE

## Consolidated Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010
<b>Financial assets:</b>		
Cash and temporary investments (note 3)	\$ 190,344	\$ 2,358,025
Accounts receivable (note 4)	774,917	2,547,310
Land held for resale	200,485	200,485
Investments (note 5)	4,245,036	111
	<u>5,410,782</u>	<u>5,105,931</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	601,795	763,236
Deposit liabilities (note 6)	95,161	104,375
Deferred revenue (note 7)	1,072,930	995,003
Wages and benefits payable	43,841	31,201
Long-term debt (note 8)	2,793,967	3,010,722
	<u>4,607,694</u>	<u>4,904,537</u>
Net financial assets	803,088	201,394
<b>Non-financial assets:</b>		
Tangible capital assets (note 10)	28,756,065	28,889,731
Inventories of supplies	17,620	15,965
Prepaid expenses	144,694	92,944
	<u>28,918,379</u>	<u>28,998,640</u>
Accumulated surplus (note 11)	<u>\$ 29,721,467</u>	<u>\$ 29,200,034</u>

The accompanying notes are an integral part of these consolidated financial statements

Approved by:

\_\_\_\_\_ Mayor

\_\_\_\_\_ Councillor

# TOWN OF RAINBOW LAKE

## Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2011, with comparative figures for 2010

	Budget (Unaudited - note 20)	2011	2010
<b>Revenue:</b>			
Net municipal taxes (note 13)	\$ 1,122,942	\$ 1,121,186	\$ 1,263,098
User fees and sales of goods	2,399,625	2,258,227	2,193,098
Government transfers (note 14)	2,544,374	1,675,305	2,665,057
Rental income	152,037	143,833	138,070
Franchise and concession contracts	65,000	76,791	69,011
Penalties and costs of taxes	47,000	48,469	59,917
Licenses and permits	21,650	48,989	25,481
Investment income	12,000	53,868	16,747
Development levies	-	-	8,483
Other	20,200	106,105	51,162
	<u>6,384,828</u>	<u>5,532,773</u>	<u>6,490,124</u>
<b>Expenses (note 15):</b>			
Legislative	87,145	63,529	89,136
Administration	379,955	398,910	350,922
Protective services	297,681	324,411	383,961
Common services	349,905	311,594	319,756
Transportation services	500,600	476,329	286,287
Airport services	303,434	295,564	263,985
Water supply and distribution	751,540	1,122,972	1,073,251
Waste management	193,197	215,712	194,281
Family and community support	42,295	42,390	37,864
Planning and development	107,141	94,906	99,438
Subdivision land development	25,000	7,300	6,075
Housing rentals	136,170	120,286	187,863
Recreation, parks and library services	551,491	802,199	563,989
Natural gas supply and distribution	754,582	615,722	674,743
Cable and internet services	117,775	119,516	140,294
Loss on disposal of tangible capital assets	-	-	21,464
	<u>4,597,911</u>	<u>5,011,340</u>	<u>4,693,309</u>
Annual surplus	1,786,917	521,433	1,796,815
Accumulated surplus, beginning of year	29,200,034	29,200,034	27,403,219
Accumulated surplus, end of year	\$ 30,986,951	\$ 29,721,467	\$ 29,200,034

The accompanying notes are an integral part of these consolidated financial statements

# TOWN OF RAINBOW LAKE

## Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2011, with comparative figures for 2010

	Budget (Unaudited - note 20)	2011	2010
Annual surplus	\$ 1,786,917	\$ 521,433	\$ 1,796,815
Acquisition of tangible capital assets	(1,557,250)	(740,787)	(2,753,960)
Amortization of tangible capital assets	-	874,453	847,685
Loss on disposal of tangible capital assets	-	-	21,464
Proceeds on disposal of tangible capital assets	-	-	24,566
	229,667	655,099	(63,430)
Acquisition of inventories of supplies	-	(1,655)	-
Acquisition of prepaid expenses	-	(51,750)	(8,733)
Consumption of inventories of supplies	-	-	1,859
	-	(53,405)	(6,874)
Change in net financial assets	229,667	601,694	(70,304)
Net financial assets, beginning of year	201,394	201,394	271,698
Net financial assets, end of year	\$ 431,061	\$ 803,088	\$ 201,394

The accompanying notes are an integral part of these consolidated financial statements



# TOWN OF RAINBOW LAKE

## Consolidated Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations activities:		
Annual surplus	\$ 521,433	\$ 1,796,815
Items not involving cash:		
Amortization of tangible capital assets	874,453	847,685
Amortization of premium on investments	9,944	-
Loss on disposal of tangible capital assets	-	21,464
Change in non-cash assets and liabilities:		
Accounts receivable	1,772,393	(1,894,699)
Accounts payable and accrued liabilities	(161,441)	389,876
Deposit liabilities	(9,214)	(2,725)
Deferred revenue	77,927	540,231
Wages and benefits payable	12,640	(51,911)
Inventories of supplies	(1,655)	1,859
Prepaid expenses	(51,750)	(8,733)
Net change in cash from operating activities	3,044,730	1,639,862
Capital activities:		
Acquisition of tangible capital assets	(740,787)	(2,753,960)
Proceeds on disposal of tangible capital assets	-	24,566
Net change in cash from capital activities	(740,787)	(2,729,394)
Investing activities:		
Purchase of investments	(4,554,869)	-
Sale of investments	300,000	-
Net change in cash from investing activities	(4,254,869)	-
Financing activities:		
Long-term debt repaid	(216,755)	(267,098)
Net change in cash from financing activities	(216,755)	(267,098)
Net change in cash	(2,167,681)	(1,356,630)
Cash at beginning of year	2,358,025	3,714,655
Cash, at end of year	\$ 190,344	\$ 2,358,025
Cash paid for interest	\$ 170,019	\$ 169,110
Cash received from interest	51,624	13,659

The accompanying notes are an integral part of these consolidated financial statements

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2011

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## 1. Nature of Organization:

The Town of Rainbow Lake (the "Town") was established on March 1, 1967. The Town is governed by the Municipal Government Act of the Province of Alberta.

## 2. Significant accounting policies:

The consolidated financial statements of the Town are prepared by the Town's management in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the Town are as follows:

### (a) Basis of consolidation:

#### i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, communities and local boards accountable for the administration of their financial affairs and resources to the Town and which are owned or controlled by the Town. This entity is comprised of the municipal operations of the Town and the Rainbow Lake Municipal Public Library.

#### ii) Accounting for Housing Management Bodies and School Board Transactions

Taxes levied include requisitions for the Alberta School Fund Foundation and the Mackenzie Housing Management Board. The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the Alberta School Fund Foundation and Mackenzie Housing Management Board are not reflected in these consolidated financial statements.

#### iii) Trust funds

Trust funds and their related operations administered by the Town are not included in these consolidated financial statements.

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 2. Significant accounting policies (continued):

### (b) Basis of accounting:

The Town follows the accrual basis of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and/or the creation of a legal obligation to pay.

### (c) Government transfers:

Government transfers are recognized in the consolidated 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 made.

### (d) Deferred revenue:

Deferred revenue represents government transfers, contributions and other amounts received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year when the related expense is incurred, services performed or the tangible capital assets are acquired.

### (e) Land held for resale:

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and levelling charges.

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 2. Significant accounting policies (continued):

### (f) Investments:

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

Investment income is reported as revenue in the period earned. When required by the funding government or by legislation, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

### (g) Requisition over-levy and under-levy:

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

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

### (h) Prepaid local improvements charges:

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

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue as the related debenture principal payment is recognized over the remaining term of the related borrowings.

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 2. Significant accounting policies (continued):

### (i) 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 ordinary course of operations.

### (i) Tangible capital assets

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

Asset	Useful Life-Years
Land improvements	15-30
Buildings (includes building improvements)	15-75
Engineered structures	10-75
Machinery and equipment	5-25
Vehicles	10-30

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 2. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

(iii) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(iv) Interest capitalization

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

(v) Inventories of supplies

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost, with cost determined on an average cost basis.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Significant estimates include assumptions used in estimating the provisions for uncollectible accounts receivable and assumptions related to recording accrued liabilities. In addition, the Town's implementation of PSAB section 3150 has required management to make estimates of historical cost and useful lives of tangible capital assets. Actual results could differ from those estimates.

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

### 3. Cash and temporary investments:

	2011	2010
Cash	\$ 89,490	\$ 67,609
Temporary investments	100,854	2,290,416
	<u>\$ 190,344</u>	<u>\$ 2,358,025</u>

Temporary investments is comprised of savings accounts with interest rates of 0.60 percent (2010 - 0.60 percent).

### 4. Accounts receivable:

	2011	2010
Property taxes receivable	\$ 201,910	\$ 199,677
Grant and contributions receivable	200,246	1,859,264
Utility receivable	191,458	224,202
Other receivables	185,947	268,767
Allowance for doubtful accounts	(4,644)	(4,600)
	<u>\$ 774,917</u>	<u>\$ 2,547,310</u>

Property taxes receivable include \$94,289 (2010 - \$26,437) of balances outstanding for greater than one year.

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 5. Investments:

	2011		2010	
	Cost	Market value	Cost	Market value
Short-term investments and deposits	\$ 2,260,656	\$ 2,260,656	\$ -	\$ -
Corporate, government and government guaranteed bonds	1,984,269	2,074,473	-	-
Gas Alberta Inc. 111 Class A shares, at cost	111	111	111	111
	\$ 4,245,036	\$ 4,335,240	\$ 111	\$ 111

Short-term investments and deposits have effective interest rates of 1.50% and mature in less than one year. Corporate, government and government guaranteed bonds have effective interest rates ranging from 2.75% to 5.14% with maturity dates from November 2012 to June 2021. The Town intends to hold these securities until maturity.

Included in the above amounts is debenture funding received but unspent at the year-end totalling \$333,632 (2010 - \$432,880). These funds are committed to be spent on the project for which they were received.

## 6. Deposit liabilities:

	2011	2010
Utility deposits	\$ 51,051	\$ 50,272
Land deposits	6,400	26,400
Damage deposits	23,997	23,997
Other deposits	13,713	3,706
	\$ 95,161	\$ 104,375



# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 7. Deferred revenue:

The deferred revenue, reported on the consolidated statement of financial position, is made up of the following:

	2011	2010
<b>Provincial government transfers:</b>		
Alberta Municipal Infrastructure Program	\$ 88,455	\$ 88,069
Basic Municipal Transportation Grant	176,942	179,475
Municipal Sustainability Initiative	716,109	676,990
New Deal for Cities and Communities	89,524	48,569
Municipal Grants - Other	1,900	1,900
	<b>\$ 1,072,930</b>	<b>\$ 995,003</b>

Continuity of deferred revenue is as follows:

	2011	2010
<b>Deferred government transfers:</b>		
Deferred government transfers at beginning of year	\$ 995,003	\$ 454,772
Government transfers received during the year	645,957	705,754
Government transfers recognized during the year	(568,030)	(165,523)
Balance, end of year	<b>\$ 1,072,930</b>	<b>\$ 995,003</b>

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 8. Long-term debt:

	2011	2010
Tax supported debentures	\$ 617,725	\$ 680,153
Utility supported debentures	2,176,242	2,330,569
	<b>\$ 2,793,967</b>	<b>\$ 3,010,722</b>

Debenture debt is repayable to the Alberta Capital Finance Authority. The debt bears interest at rates between 4.57% and 11.38% per annum, before Provincial subsidy, with maturities between December 2012 and September 2026. Debenture debt is issued on the credit and security of the Town at large.

Principal and interest repayment requirements on long-term debt over the next five years and thereafter are as follows:

	Principal	Interest	Total
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
2016	203,451	90,988	294,439
Thereafter	1,802,755	411,277	2,214,032
	<b>\$ 2,793,967</b>	<b>\$ 960,582</b>	<b>\$ 3,754,549</b>

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 9. Debt and debt service 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 be disclosed as follows:

	2011	2010
Total debt limit	\$ 7,073,485	\$ 6,944,535
Total debt	<u>2,793,967</u>	<u>3,010,722</u>
Amount by which debt limit unused	4,279,518	3,933,814
Percentage used (%)	39.50%	43.35%
Debt servicing limit	1,178,914	1,157,422
Debt servicing	<u>362,761</u>	<u>362,762</u>
Amount by which debt servicing limit unused	816,153	794,660
Percentage used (%)	30.77%	31.34%

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Town. Rather, the financial statements must be interpreted as a whole.

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 10. Tangible capital assets :

	2011						Total
	Land improvements	Land	Buildings	Engineered structures	Machinery and equipment	Vehicles	
<b>Cost:</b>							
Balance, beginning of year	\$ 510,917	\$ 1,012,464	\$ 9,543,751	\$ 24,361,453	\$ 1,346,191	\$ 1,030,454	\$ 2,140,970
Additions	-	-	49,425	8,500	227,007	-	455,855
Balance, end of year	510,917	1,012,464	9,593,176	24,369,953	1,573,198	1,030,454	2,596,825
<b>Accumulated amortization:</b>							
Balance, beginning of year	-	781,468	2,755,298	6,057,699	802,500	659,504	-
Amortization expense	-	23,791	197,613	552,118	63,024	37,907	-
Balance, end of year	-	805,259	2,952,911	6,609,817	865,524	697,411	-
<b>Net book value, end of year</b>	<b>\$ 510,917</b>	<b>\$ 207,205</b>	<b>\$ 6,640,265</b>	<b>\$ 17,760,136</b>	<b>\$ 707,674</b>	<b>\$ 333,043</b>	<b>\$ 2,596,825</b>
							<b>\$ 28,756,065</b>

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 10. Tangible capital assets (continued):

	2010							Total	
	Land	Land improvements	Land	Buildings	Engineered structures	Machinery and equipment	Vehicles		Assets under construction
<b>Cost:</b>									
Balance, beginning of year	\$ 510,917	\$ 1,012,464	\$ 9,463,490	\$ 24,360,317	\$ 891,944	\$ 1,016,490	\$ 2,140,970	\$ 37,255,622	
Additions	-	-	80,261	1,136	454,247	77,346	-	2,753,960	
Disposals	-	-	-	-	-	(63,382)	-	(63,382)	
<b>Balance, end of year</b>	<b>510,917</b>	<b>1,012,464</b>	<b>9,543,751</b>	<b>24,361,453</b>	<b>1,346,191</b>	<b>1,030,454</b>	<b>2,140,970</b>	<b>39,946,200</b>	
<b>Accumulated amortization:</b>									
Balance, beginning of year	-	757,677	2,551,820	5,506,022	781,034	629,583	-	10,226,136	
Amortization expense	-	23,791	203,478	551,677	21,466	47,273	-	847,685	
Disposals	-	-	-	-	-	(17,352)	-	(17,352)	
<b>Balance, end of year</b>	<b>-</b>	<b>781,468</b>	<b>2,755,298</b>	<b>6,057,699</b>	<b>802,500</b>	<b>659,504</b>	<b>-</b>	<b>11,056,469</b>	
<b>Net book value, end of year</b>	<b>\$ 510,917</b>	<b>\$ 230,996</b>	<b>\$ 6,788,453</b>	<b>\$ 18,303,754</b>	<b>\$ 543,691</b>	<b>\$ 370,950</b>	<b>\$ 2,140,970</b>	<b>\$ 28,889,731</b>	

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 10. Tangible capital assets (continued):

### a) Assets under construction

Assets under construction having a value of \$2,596,825 (2010 - \$2,140,970) have not been amortized. Amortization of these assets will commence when the asset is put into service.

### b) Contributed tangible capital assets

Contributed capital assets have been recognized at fair market value at the date of contribution. There were no contributed assets received during the current year (2010 - \$nil).

### c) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

### d) Works of art and historical treasures

The Town manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Town sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 11. Accumulated surplus:

The Town's accumulated surplus is comprised of the following:

	2011	2010
Restricted surplus	\$ 2,418,799	\$ 2,507,725
Unrestricted surplus	1,006,938	380,420
Invested in tangible capital assets	26,295,730	26,311,889
	\$ 29,721,467	\$ 29,200,034

## 12. Local authorities pension plan:

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act.

The Town was required to make current service contributions to the Plan of 9.49 per cent (2010 – 9.06 percent) of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 13.13 percent (2010 – 12.53 percent) thereafter. Employees of the Town are required to make current service contributions of 8.49 per cent (2010 – 8.06 per cent) of pensionable salary up to YMPE, and 12.13 percent (2010 – 11.53 per cent) thereafter.

Total current service contributions by the Town to the LAPP in 2011 were \$56,939 (2010 - \$60,235). Total service contributions by the employees of the Town to the Local Authorities Pension Plan in 2011 were \$51,475 (2010 - \$54,284).

As stated in their 2010 Annual Report, LAPP serves 206,249 (2009 – 199,849) members and 421 (2009 – 418) employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund. At December 31, 2010, the Plan reported an actuarial deficiency of \$4.6 billion (2009 – \$4.0 billion). The Local Authorities Pension Plan contribution rates will increase by a total of 0.84 per cent of pensionable salary in 2012 (2011 – 0.93 per cent).

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 13. Net municipal taxes:

Taxation revenue, reported on the consolidated statement of operations, is made up of the following:

	Budget	2011	2010
	(Unaudited - note 20)		
<b>Taxation</b>			
Real property taxes	\$ 1,364,949	\$ 1,357,850	\$ 1,468,051
Linear property taxes	20,216	20,257	26,233
Government grants in place of property taxes	20,322	25,624	27,146
Special assessments and local improvement taxes	-	-	23,535
	<u>1,405,487</u>	<u>1,403,731</u>	<u>1,544,965</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	260,311	260,311	263,671
Mackenzie Housing Management Board	22,234	22,234	18,196
	<u>282,545</u>	<u>282,545</u>	<u>281,867</u>
<b>Net municipal taxes</b>	<u>\$ 1,122,942</u>	<u>\$ 1,121,186</u>	<u>\$ 1,263,098</u>



# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 14. Government transfers:

	Budget	2011	2010
	(Unaudited - note 20)		
<b>Transfers for operating</b>			
Provincial government	\$ 128,974	\$ 59,289	\$ 75,577
Federal government	2,500	2,500	5,030
Other Local government	796,400	796,400	724,017
	927,874	858,189	804,624
<b>Transfers for capital</b>			
Provincial government	1,146,500	576,180	675,553
Federal government	470,000	240,936	1,184,880
	1,616,500	817,116	1,860,433
<b>Total government transfers</b>	\$ 2,544,374	\$ 1,675,305	\$ 2,665,057

## 15. Expenses by object:

	Budget	2011	2010
	(Unaudited - note 20)		
Salaries, wages and benefits	\$ 1,238,706	\$ 1,139,499	\$ 1,082,506
Contracted and general services	1,776,261	1,534,323	1,257,962
Materials, goods and utilities	1,419,672	1,272,422	1,310,582
Transfers to local boards and agencies	9,000	14,000	4,000
Bank charges and interest	5,000	8,905	4,140
Interest on long-term debt	149,272	167,738	164,970
Amortization	-	874,453	847,685
Loss on disposal of tangible capital assets	-	-	21,464
	\$ 4,597,911	\$ 5,011,340	\$ 4,693,309

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 16. Salary and benefits disclosure:

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salary	Benefits	2011 Total	2010 Total
Mayor / Councillor Langford	\$ 10,976	\$ -	\$ 10,976	\$ 7,620
Mayor Cretney	6,624	-	6,624	5,450
Mayor Drover	-	-	-	5,880
Deputy Mayor Bateman	6,400	-	6,400	1,290
Councillor - Olorenshaw	10,200	-	10,200	1,890
Councillor - Farris	1,200	-	1,200	-
Councillor - Pardy	1,400	-	1,400	-
Councillor - Ross	2,600	-	2,600	810
Councillor - Van Vliet	-	-	-	4,050
Councillor - Lacey	-	-	-	3,120
Chief Administrative Officer	109,081	17,913	126,994	113,677
	\$ 148,481	\$ 17,913	\$ 166,394	\$ 143,787

Salary includes regular base pay, lump sum payments, gross honoraria and any other direct cash remuneration.

Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, and directors liability and life insurance.

Benefits and allowance figures also include the employers' share of the costs of additional taxable benefits including special leave with pay, travel allowances and car allowances.

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 17. Financial instruments:

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, wages and benefits payable, and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments. The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk. Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

## 18. Segmented information:

Segmented information has been identified based upon lines of service provided by the Town. Town services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

### (i) Protection:

Protection services include fire, by-law enforcement and animal protection. The Fire department is responsible to provide fire suppression services, fire prevention programs, training and education related to prevention, and detection or extinguishment of fires. Town by-law officers enforce the Town's by-laws. The Town also operates a dog pound and ensures that stray animals are protected.

### (ii) Public works and transportation:

The Public Works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the Rainbow Lake Airport and the maintenance of parks and open spaces.

### (iii) Utilities:

The Town is responsible for environmental programs such as the engineering and operation of water and wastewater systems and waste management, the latter of which encompasses solid waste collection and disposal. The Town is also responsible for the delivery of cable & internet services and a natural gas system which services the Town.

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 18. Segmented information (continued):

### (iv) Planning and development:

The Planning and Development department manages all aspects of land use planning including long range forecasting and planning, and processing development permits and compliance certificates. The department is also responsible for corporate mapping functions.

### (v) Community services:

The Community Services department provides public services that sustains and supports individuals, families and communities. This includes programs run through Family and Community Support Services, Rainbow Lake Recreation Complex and the Town's outdoor baseball diamonds, playgrounds and parks.

### (vi) Culture and library:

As part of the Community Services, the Town operates and maintains the Library. The Library, even though part of the Community Services Department, is operated by a board that is approved by Town Council

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment's budgeted net expenditure. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development levies earned and developer contributions received were allocated to the segment for which the charge was collected.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2.

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 18. Segmented information (continued):

	2011							Total
	Protection	Public Works and Transportation	Utilities	Planning and Development	Community Services	Culture and Library	Other Municipal	
<b>Revenue:</b>								
Net municipal taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,121,186	\$ 1,121,186
User fees and sales of goods	140,380	79,905	2,027,782	454	2,220	6,805	681	2,258,227
Government transfers	-	330,605	282,804	-	23,177	211,746	826,973	1,675,305
Rental income	-	61,887	25	1,366	8,390	69,400	2,765	143,833
Franchise and concession contracts	-	-	-	-	-	-	76,791	76,791
Penalties and costs of taxes	-	-	-	-	-	-	48,469	48,469
Licenses and permits	47,163	-	-	1,826	-	-	-	48,989
Investment income	-	-	-	-	-	-	53,868	53,868
Other	29,081	-	8,396	-	-	33,523	35,105	106,105
<b>Total revenues</b>	<b>216,624</b>	<b>472,397</b>	<b>2,319,007</b>	<b>3,646</b>	<b>33,787</b>	<b>321,474</b>	<b>2,165,838</b>	<b>5,532,773</b>
<b>Expenses:</b>								
Salaries, wages and benefits	190,202	192,662	223,340	35,594	10,061	153,598	334,042	1,139,499
Contracted and general services	54,043	482,085	431,569	60,868	6,512	340,623	158,623	1,534,323
Materials, goods and utilities	33,860	218,824	806,628	745	11,731	159,956	40,678	1,272,422
Bank charges and interest	-	-	-	-	-	-	8,905	8,905
Transfers to local boards and agencies	-	-	-	5,000	-	3,000	6,000	14,000
Interest on long-term debt	-	-	135,228	-	-	-	-	167,738
Amortization	46,307	189,916	477,157	-	14,086	112,512	34,475	874,453
<b>Total expenses</b>	<b>324,412</b>	<b>1,083,487</b>	<b>2,073,922</b>	<b>102,207</b>	<b>42,390</b>	<b>802,199</b>	<b>582,723</b>	<b>5,011,340</b>
<b>Annual surplus (deficit)</b>	<b>\$ (107,788)</b>	<b>\$ (611,090)</b>	<b>\$ 245,085</b>	<b>\$ (98,561)</b>	<b>\$ (8,603)</b>	<b>\$ (480,725)</b>	<b>\$ 1,583,115</b>	<b>\$ 521,433</b>

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 18. Segmented information (continued):

	2010							Total
	Protection	Public Works and Transportation	Utilities	Planning and Development	Community Services	Culture and Library	Other Municipal	
<b>Revenue:</b>								
Net municipal taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,263,098	\$ 1,263,098
User fees and sales of goods	86,862	56,532	2,037,417	274	3,381	7,567	1,065	2,193,098
Government transfers	49,000	440,541	1,445,570	-	-	5,930	724,016	2,665,057
Rental income	-	56,059	-	5,566	9,661	63,128	3,656	138,070
Franchise and concession contracts	-	-	-	-	-	-	69,011	69,011
Penalties and costs of taxes	-	-	-	-	-	-	59,917	59,917
Licenses and permits	24,732	-	-	749	-	-	-	25,481
Investment income	-	-	-	-	-	-	16,747	16,747
Development levies	-	-	8,483	-	-	-	-	8,483
Other	-	24,565	7,502	-	77	1,591	17,427	51,162
<b>Total revenues</b>	<b>160,594</b>	<b>577,697</b>	<b>3,498,972</b>	<b>6,589</b>	<b>13,119</b>	<b>78,216</b>	<b>2,154,937</b>	<b>6,490,124</b>
<b>Expenses:</b>								
Salaries, wages and benefits	180,439	178,060	216,533	36,625	5,168	146,867	318,814	1,082,506
Contracted and general services	48,883	381,180	430,032	66,932	8,249	98,234	224,452	1,257,962
Materials, goods and utilities	107,738	144,001	831,179	1,957	10,361	169,821	45,525	1,310,582
Bank charges	-	-	-	-	-	-	4,140	4,140
Transfers to local boards and agencies	-	-	-	-	-	3,000	1,000	4,000
Interest on long-term debt	-	3,544	127,683	-	-	33,743	-	164,970
Amortization	46,901	163,244	477,141	-	14,086	112,323	33,990	847,685
Loss on disposal assets	-	-	-	-	-	-	21,464	21,464
<b>Total expenses</b>	<b>383,961</b>	<b>870,029</b>	<b>2,082,568</b>	<b>105,514</b>	<b>37,864</b>	<b>563,988</b>	<b>649,385</b>	<b>4,693,309</b>
<b>Annual surplus (deficit)</b>	<b>\$ (223,367)</b>	<b>\$ (292,332)</b>	<b>\$ 1,416,404</b>	<b>\$ (98,925)</b>	<b>\$ (24,745)</b>	<b>\$ (485,772)</b>	<b>\$ 1,505,552</b>	<b>\$ 1,796,815</b>

# **TOWN OF RAINBOW LAKE**

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## **19. Comparative figures:**

Certain comparative figures have been reclassified to conform to the 2011 financial statement presentation.

## **20. Budget:**

The unaudited 2011 budget data presented in these consolidated financial statements is based upon the 2011 operating and capital budgets approved by Council on March 29, 2011. Amortization was not contemplated on development of the budget and, as such, has not been included.