

Consolidated Financial Statements of

TOWN OF RAINBOW LAKE

Year ended December 31, 2017

TOWN OF RAINBOW LAKE

Consolidated Financial Statements

Year ended December 31, 2017

Consolidated Financial Statements

Management's Responsibility for the 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.

A handwritten signature in black ink, appearing to read 'T. Jenkins', with a horizontal line underneath it.

Troy Jenkins
Chief Administrative Officer

April 30, 2018



KPMG LLP
2200, 10175 – 101 Street
Edmonton AB T5J 0H3
Canada
Telephone (780) 429-7300
Fax (780) 429-7379

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Town of Rainbow Lake, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations and accumulated surplus, change 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 the Town of Rainbow Lake as at December 31, 2017, and its consolidated results of operations, its consolidated changes in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

April 30, 2018
Edmonton, Canada

TOWN OF RAINBOW LAKE

Consolidated Statement of Financial Position

December 31, 2017, with comparative information for 2016

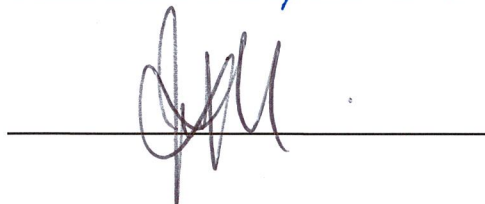
	2017	2016
		(Note 20)
Financial assets:		
Cash	\$ 437,807	\$ 985,876
Accounts receivable (note 3)	587,914	447,133
Investments (note 4)	6,177,861	6,071,956
Land inventory held for resale	178,186	178,186
	<u>7,381,768</u>	<u>7,683,151</u>
Liabilities:		
Accounts payable and accrued liabilities	300,769	288,765
Deposit liabilities (note 5)	68,134	71,096
Deferred revenue (note 6)	825,062	751,444
Long-term debt (notes 7 and 8)	1,589,731	1,802,353
	<u>2,783,696</u>	<u>2,913,658</u>
Net financial assets	4,598,072	4,769,493
Non-financial assets:		
Tangible capital assets (note 9)	33,690,615	34,332,107
Inventories of supplies	13,525	13,525
Prepaid expenses	138,130	146,828
	<u>33,842,270</u>	<u>34,492,460</u>
Accumulated surplus (note 10)	\$ 38,440,342	\$ 39,261,953

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, 2017, with comparative information for 2016

	Budget (Note 18)	2017	2016 (Note 20)
Revenue:			
Net municipal taxes (note 12)	\$ 1,203,904	\$ 1,210,879	\$ 1,382,643
User fees and sales of goods	1,721,724	1,432,424	1,683,756
Government transfers for operating (note 13)	1,349,734	1,043,321	1,118,489
Rental income	134,582	99,052	111,120
Franchise and concession contracts	180,000	140,377	158,232
Penalties and costs of taxes	70,000	113,589	24,923
Licenses and permits	17,500	5,415	8,441
Investment income	118,350	126,150	105,945
Other	63,868	64,096	70,001
Gain on sale of investments	-	1,616	17,431
Loss on disposal of tangible capital assets	-	-	-
	4,859,662	4,236,919	4,680,981
Expenses (note 14):			
Legislative	93,350	91,295	63,563
Administration	433,451	610,817	620,112
Protective services	293,615	303,998	515,346
Common services	297,846	325,882	333,197
Transportation services	391,680	364,334	394,732
Airport services	305,504	559,075	583,453
Water supply and distribution	855,890	919,993	883,538
Waste management	207,220	176,434	202,635
Family and community support	63,034	85,433	147,393
Planning and development	68,521	66,635	71,003
Subdivision land development	26,070	20,853	26,502
Housing rentals	154,587	164,867	150,650
Recreation, parks and library services	571,665	795,371	673,633
Natural gas supply and distribution	442,033	519,745	424,985
Cable and internet services	145,880	122,536	113,544
	4,350,346	5,127,268	5,204,286
Annual surplus (deficit) before other	509,316	(890,349)	(523,305)
Other:			
Contributions of tangible capital assets	-	-	-
Government transfer - capital (note 13)	1,757,000	68,738	161,700
Annual surplus (deficit)	2,266,316	(821,611)	(361,605)
Accumulated surplus, beginning of year	38,808,263	39,261,953	39,623,558
Accumulated surplus, end of year	\$ 41,074,579	\$ 38,440,342	\$ 39,261,953

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, 2017, with comparative information for 2016

	Budget (Note 18)	2017	2016 (Note 20)
Annual surplus (deficit)	\$ 2,266,316	\$ (821,611)	\$ (361,605)
Acquisition of tangible capital assets	(2,095,168)	(583,286)	(266,775)
Contributions of tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	-	-	-
Amortization of tangible capital assets	-	1,224,777	1,216,945
Loss on disposal of tangible capital assets	-	-	-
	171,148	(180,120)	588,565
Net (acquisition) consumption of inventories of supplies	-	-	426
Net use (acquisition) of prepaid expenses	-	8,699	(3,692)
	-	8,699	(3,266)
Change in net financial assets	171,148	(171,421)	585,299
Net financial assets, beginning of year	4,364,463	4,769,493	4,184,194
Net financial assets, end of year	\$ 4,535,611	\$ 4,598,072	\$ 4,769,493

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, 2017, with comparative information for 2016

	2017	2016
		(Note 20)
Cash provided by (used in):		
Operations activities:		
Annual surplus (deficit)	\$ (821,611)	\$ (361,605)
Items not involving cash:		
Amortization of tangible capital assets	1,224,777	1,216,945
Amortization of premium on investments	29,146	24,987
Contributions of tangible capital assets	-	-
Gain on sale of investments	(1,616)	(17,431)
Loss on disposal of tangible capital assets	-	-
Change in non-cash assets and liabilities:		
Accounts receivable	(140,781)	193,357
Accounts payable and accrued liabilities	12,005	29,930
Deposit liabilities	(2,962)	(4,600)
Deferred revenue	73,618	493,807
Inventories of supplies	-	426
Prepaid expenses	8,699	(3,692)
Net change in cash from operating activities	381,275	1,572,124
Capital activities:		
Acquisition of tangible capital assets	(583,286)	(266,775)
Proceeds from disposal of tangible capital assets	-	-
Net change in cash from capital activities	(583,286)	(266,775)
Investing activities:		
Purchase of investments	(133,436)	(1,610,814)
Net change in cash from investing activities	(133,436)	(1,610,814)
Financing activities:		
Long-term debt repaid	(212,622)	(203,852)
Net change in cash from financing activities	(212,622)	(203,852)
Net change in cash	(548,069)	(509,317)
Cash, at beginning of year	985,876	1,495,193
Cash, at end of year	\$ 437,807	\$ 985,876
Cash paid for interest	\$ 131,892	\$ 113,974
Cash received from interest	177,036	132,407

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, 2017

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 (the "MGA").

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 ("PSAS"). Significant accounting policies adopted by the Town are as follows:

(a) Reporting entity:

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. The reporting entity is comprised of the municipal operations of the Town, the Rainbow Lake Fire Hall 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 Boreal Housing Foundation. The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the Alberta School Fund Foundation and the Boreal Housing Foundation are not reflected in these consolidated financial statements.

iii) Mackenzie Regional Waste Management Commission

The Town is a member of the Mackenzie Regional Waste Management Commission (the "Commission"). The Province of Alberta under Alberta Regulation 264/2003 established the Commission pursuant to the Municipal Government Act. The nature of the establishment and operation is such that profits or any other income of the Commission is retained by the Commission. The Town transacts through an independent third party whom transacts with the Commission directly. All financial transactions with the third party are recognized and recorded in the consolidated financial statements of the Town.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(a) Reporting entity (continued):

iv) Trust funds

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

(b) Basis of accounting:

The Town follows the accrual basis of accounting for revenues and expenses. Revenues are 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, services and/or the creation of a legal obligation to pay.

(c) Government transfers:

Government transfers are recognized as revenue in the period in which events giving rise to the transfer occur, provided the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. A transfer with or without eligibility criteria but with stipulations is recognized in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability.

(d) Tax revenue:

Tax revenues are recognized as assets and revenue when the taxable event occurs.

(e) 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.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(f) Local improvements:

When a service or improvement is deemed to benefit a specific area more than the municipality as a whole, the project may be classified as a local improvement under the Municipal Government Act, to be paid in whole or in part by a tax imposed on the benefiting property owners. The property owners' share of the improvements is recognized as revenue in the period that the project expenditures are completed.

(g) Deferred revenue:

Deferred revenue represents government transfers, contributions and other amounts received from third parties pursuant to legislation, regulation or agreement that 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.

(h) 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.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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	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.

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 consolidated financial statements.

iv) Interest capitalization

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

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(i) Non-financial assets (continued):

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) Contaminated sites liabilities:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. A liability is recognized for remediation of contaminated sites when the following criteria have been met:

- an environmental standard exists;
- there is evidence that contamination exceeds an environmental standard;
- the Town is directly responsible or accepts responsibility for that contamination;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

In cases where responsibility is not determinable, a contingent liability may be disclosed. The liability represents the best estimate, as of year-end, of the amount required to remediate nonproductive sites to the current minimum standard of use prior to contamination. Where possible, provisions for remediation are based on environmental assessments completed on a site; for those sites where an assessment has not been completed, estimates of the remediation are completed using information available for the site and by extrapolating from the cost to clean up similar sites. The liability is recorded net of any estimated recoveries from third parties. Recorded liabilities are adjusted each year for the passage of time, new obligations, changes in management estimates and actual remediation costs incurred. The liability is measured using present value techniques when cash flows are expected to occur over extended future periods.

(k) 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 to estimate the provision for doubtful accounts receivable, the fair value of investments, the fair value and useful lives of tangible capital assets, the fair value of contributed tangible capital assets, the measurement of accrued liabilities and the measurement of the liability for contaminated sites. Actual results could differ from those estimates.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(I) Future accounting standard pronouncements:

The following summarizes upcoming changes to PSAS. In 2018, the Town will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently.

i) Assets

PS 3210, *Assets*, provides additional guidance on the definition of assets and new disclosure requirements for those assets not recognized in the government's financial statements. This standard is applicable for fiscal years beginning on or after April 1, 2017.

ii) Contingent Assets

PS 3320, *Contingent Assets*, establishes standards on the reporting and disclosure of possible assets that may arise from existing conditions or situations involving uncertainty. This standard is applicable for fiscal years beginning on or after April 1, 2017.

iii) Contractual Rights

PS 3380, *Contractual Rights*, establishes standards on the reporting and disclosure of a government's rights to economic resources that may arise from contracts or agreements that will result in both an asset and revenue in the future. This standard is applicable for fiscal years beginning on or after April 1, 2017.

iv) Inter-entity Transactions

PS 3420, *Inter-Entity Transactions*, specifically addresses the reporting of transactions between entities controlled by a government and that comprise the government's reporting entity from both a provider and recipient perspective. This standard is applicable for fiscal years beginning on or after April 1, 2017.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(I) Future accounting standard pronouncements (continued):

v) Related Party Disclosures

PS 2200, *Related Party Disclosures*, requires sufficient information be disclosed about the terms and conditions on which transactions between related parties are conducted and the relationship underlying them. The disclosure provides information necessary to assess the effect that the related party relationships have had, or, if not recognized, may have had on the entity's financial position and financial performance. This standard is applicable for fiscal years beginning on or after April 1, 2017.

vi) Restructuring Transactions

PS 3430, *Restructuring Transactions*, establishes standards on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities. This standard is applicable for fiscal years beginning on or after April 1, 2018.

vii) Financial Statement Presentation

PS 1201, *Financial Statement Presentation*, requires a new statement of remeasurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the remeasurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2019.

viii) Financial Instruments

PS 3450, *Financial Instruments*, establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of remeasurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the derecognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2019.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(l) Future accounting standard pronouncements (continued):

ix) Foreign Currency Translation

PS 2601, *Foreign Currency Translation*, requires that monetary assets and liabilities denominated in a foreign currency and non-monetary items included in the fair value category, denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of remeasurement gains and losses. This standard is applicable for fiscal years beginning on or after April 1, 2019.

x) Portfolio Investments

PS 3041, *Portfolio Investments*, has removed the distinction between temporary and portfolio investments. This standard now includes pooled investments in its scope and was amended to conform to PS 3450, *Financial Instruments*. Upon adoption of PS 3450 and PS 3041, PS 3030, *Temporary Investments*, will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2019.

3. Accounts receivable:

	2017	2016
Property Taxes		
Property taxes receivable	\$ 623,648	\$ 415,401
Provision for non-collection	(352,382)	(352,382)
	271,266	63,019
Other Receivables		
Local improvements receivable	25,449	33,932
Government transfers receivable	-	-
Utility receivable	179,425	179,811
Other receivables	111,774	175,162
Allowance for doubtful accounts	-	(4,791)
	316,648	384,114
	\$ 587,914	\$ 447,133

Property taxes receivable include \$382,235 (2016 - \$288,493) of balances outstanding for greater than one year.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

4. Investments:

	2017		2016	
	Cost	Market value	Cost	Market value
Short-term investments and deposits	\$ 191,365	\$ 191,365	\$ 101,140	\$ 101,140
Corporate, government and government guaranteed bonds	5,986,385	5,950,297	5,970,705	6,023,483
Gas Alberta Inc., 111 Class A shares, at cost	111	111	111	111
	\$ 6,177,861	\$ 6,141,773	\$ 6,071,956	\$ 6,124,734

Short-term investments and deposits have effective interest rates of 1.00% (2016 - 1.00%). Corporate, government and government guaranteed bonds have effective interest rates ranging from 1.67% (2016 - 1.50%) to 4.10% (2016 - 4.10%) with maturity dates ranging from July 2018 (2016 - April 2017) to June 2027 (2016 - July 2024). The Town intends to hold these securities until maturity.

5. Deposit liabilities:

	2017	2016
Utility deposits	\$ 39,334	\$ 42,296
Land deposits	6,400	6,400
Damage deposits	22,400	22,400
	\$ 68,134	\$ 71,096

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

6. Deferred revenue:

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

	2017	2016
		(Note 20)
Provincial government transfers:		
Basic Municipal Transportation Grant	\$ 286,905	\$ 284,769
Alberta Municipal Infrastructure Program	23,102	22,930
FireSmart Grant	-	21,277
Municipal Grants - Other	-	923
Municipal Sustainability Initiative	515,055	421,545
	\$ 825,062	\$ 751,444

Continuity of deferred revenue is as follows:

	2017	2016
		(Note 20)
Balance at beginning of year	\$ 751,444	\$ 257,637
Government transfers received during the year	1,202,407	1,781,680
Funding expired during the year	(22,200)	-
Interest earned	5,470	10,059
Government transfers recognized during the year	(1,112,059)	(1,297,932)
Balance, end of year	\$ 825,062	\$ 751,444

7. Long-term debt:

	2017	2016
Tax supported debentures	\$ 176,352	\$ 258,427
Utility supported debentures	1,413,379	1,543,926
	\$ 1,589,731	\$ 1,802,353

Debenture debt is repayable to the Alberta Capital Finance Authority. The debt bears interest at rates between 4.57% and 4.70% per annum, before Provincial subsidy, with maturities between December 2019 and September 2026. Debenture debt is issued on the credit and security of the Town at large.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

7. Long-term debt (continued):

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

	Principal	Interest	Total
2018	\$ 223,043	\$ 71,396	\$ 294,439
2019	233,535	60,904	294,439
2020	150,070	51,004	201,074
2021	157,126	43,948	201,074
2022	164,514	36,561	201,075
Thereafter	661,443	66,047	727,490
	<u>\$ 1,589,731</u>	<u>\$ 329,860</u>	<u>\$ 1,919,591</u>

8. 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:

	2017	2016
		(Note 20)
Total debt limit	\$ 6,355,380	\$ 7,021,472
Total debt	<u>1,589,731</u>	<u>1,802,353</u>
Amount by which debt limit unused	4,765,649	5,219,119
Percentage used (%)	25.01%	25.67%
Debt servicing limit	1,059,230	1,170,245
Debt servicing	<u>294,439</u>	<u>294,439</u>
Amount by which debt servicing limit unused	764,791	875,806
Percentage used (%)	27.80%	25.16%

The debt limit is calculated at 1.5 times the 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, 2017

9. Tangible capital assets:

	2017					
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Assets under construction
					Vehicles	Total
Cost:						
Balance, beginning of year	\$ 510,917	8,626,479	10,825,827	26,980,626	1,078,134	\$ 50,365,226
Additions and contributions	-	-	25,042	43,849	444,932	583,286
Balance, end of year	510,917	8,626,479	10,850,869	27,024,475	1,523,066	50,948,512
Amortization:						
Balance, beginning of year	-	548,674	4,028,664	9,507,850	739,817	16,033,120
Amortization	-	272,936	232,029	585,761	44,063	1,224,777
Balance, end of year	-	821,610	4,260,693	10,093,611	783,880	17,257,897
Net book value, end of year	\$ 510,917	7,804,869	6,590,176	16,930,864	739,186	\$ 33,690,615

Notes to Consolidated Financial Statements (continued)

9. Tangible capital assets (continued):

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TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

9. Tangible capital assets (continued):

a) Assets under construction

Assets under construction having a value of \$273,771 (2016 - \$244,862) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

b) Contributions of tangible capital assets

Contributions of tangible capital assets have been recognized at fair market value at the date of contribution. The value of the contributions of tangible capital assets received during the year is \$nil (2016 - \$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.

10. Accumulated surplus:

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

	2017	2016
		(Note 20)
Reserves	\$ 2,399,432	\$ 2,727,627
Invested in tangible capital assets	32,100,884	32,529,754
Unrestricted surplus	3,940,026	4,004,572
	\$ 38,440,342	\$ 39,261,953

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

11. 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 11.39 percent (2016 - 11.39 percent) of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 15.84 percent (2016 - 15.84 percent) thereafter. Employees of the Town are required to make current service contributions of 10.39 percent (2016 - 10.39 percent) of pensionable salary up to YMPE, and 14.84 percent (2016 - 14.84 percent) thereafter.

Total current service contributions by the Town to the LAPP in 2017 were \$64,801 (2016 - \$65,938). Total service contributions by the employees of the Town to the LAPP in 2017 were \$58,125 (2016 - \$60,636).

As at December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 million (2015 - \$923 million). This amount was not specifically allocated to the participating government organizations. The 2017 actuarial balance was not available at the date these financial statements were released.

12. Net municipal taxes:

Taxation revenue reported on the consolidated statement of operations and accumulated surplus is made up of the following:

	Budget	2017	2016
	(Note 18)		
Taxation			
Real property taxes	\$ 1,444,781	\$ 1,447,162	\$ 1,631,456
Linear property taxes	23,864	23,735	23,864
Government grants in place of property taxes	22,492	27,215	22,492
	1,491,137	1,498,112	1,677,812
Requisitions			
Alberta School Foundation Fund	270,338	270,338	263,996
Boreal Housing Foundation	16,895	16,895	31,173
	287,233	287,233	295,169
Net municipal taxes	\$ 1,203,904	\$ 1,210,879	\$ 1,382,643

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

13. Government transfers:

	Budget	2017	2016
	(Note 18)		(Note 20)
Transfers for operating			
Provincial government	\$ 449,934	\$ 241,605	\$ 318,345
Federal government	103,800	5,316	3,744
Other local government	796,000	796,400	796,400
	1,349,734	1,043,321	1,118,489
Transfers for capital			
Provincial government	845,000	68,738	161,700
Federal government	912,000	-	-
	1,757,000	68,738	161,700
Total government transfers	\$ 3,106,734	\$ 1,112,059	\$ 1,280,189

14. Expenses by object:

	Budget	2017	2016
	(Note 18)		(Note 20)
Salaries, wages and benefits	\$ 1,162,811	\$ 1,268,414	\$ 1,347,806
Contracted and general services	1,742,519	1,351,732	1,209,312
Materials, goods and utilities	1,287,176	1,165,016	1,309,480
Allowance for doubtful accounts	2,000	14,229	797
Transfers to local boards and agencies	12,000	1,000	7,250
Bank charges and interest	23,500	22,821	22,986
Interest on long-term debt	120,340	79,279	89,710
Amortization of tangible capital assets	-	1,224,777	1,216,945
	\$ 4,350,346	\$ 5,127,268	\$ 5,204,286

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

15. 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 ¹	Benefits ²	2017 Total	2016 Total
Mayor/Councillor Farris	\$ 15,963	\$ -	\$ 15,963	\$ 9,600
Mayor/Councillor Olorenshaw	10,088	-	10,088	8,100
Deputy Mayor/Councillor Smith	6,200	-	6,200	4,200
Councillor Bateman	2,400	-	2,400	3,400
Councillor Juneau	2,000	-	2,000	-
Councillor Lindley	1,600	-	1,600	-
Councillor Mitchell	14,800	-	14,800	2,400
CAO Dziwenka	12,032	6,310	18,342	-
CAO Fletcher	49,439	7,305	56,744	173,104
CAO Jenkins	57,473	15,273	72,746	-
	\$ 171,994	\$ 28,888	\$ 200,882	\$ 206,904

1. Salary includes regular base pay, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Benefits include contributions or payments made on behalf of employees including pension, health care, dental coverage, and director's liability and life insurance. Benefits also include the costs of additional taxable benefits including special leave with pay, travel and car allowances.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

16. Financial instruments and risk management:

The Town's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, 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 with respect to the local economy's dependence on commodity prices and the possibility that the Town's taxpayers may experience financial difficulty and be unable to fulfill their obligations. Unless otherwise noted, the carrying value of financial instruments approximates their fair value.

17. 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) Protective Services:

Protective 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 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, 2017

17. 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, processing development permits and compliance certificates. The department is also responsible for corporate mapping functions.

v) Family and Community Support:

Family and Community Support 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) Recreation, Parks and Library Services:

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 segments' 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 segments based upon the purpose for which the transfers were 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, 2017

17. Segmented information (continued):

	2017							
	Protective Services	Public Works and Transportation	Utilities	Planning and Development	Family and Community Support	Recreation, Parks and Library Services	Other Municipal	Total
Revenue:								
Net municipal taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,210,879	\$ 1,210,879
User fees and sales								
of goods	1,125	48,655	1,373,358	-	4,585	4,181	520	1,432,424
Government transfers - operating	165,000	-	-	41,794	33,129	-	803,398	1,043,321
Rental income	-	29,659	-	4,456	1,860	58,716	4,362	99,052
Franchise and concession contracts	-	-	-	-	-	-	140,377	140,377
Penalties and costs	-	-	-	-	-	-	113,589	113,589
of taxes	-	-	-	-	-	-	-	-
Licenses and permits	4,565	-	-	850	-	-	-	5,415
Investment income	-	-	-	-	-	-	126,150	126,150
Other	6,824	-	14,721	-	650	17,766	24,134	64,096
Gain on sale of investments	-	-	-	-	-	-	1,616	1,616
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-	-
Expenses:								
Salaries, wages and benefits	177,514	78,314	1,388,079	47,100	40,224	80,663	2,425,025	4,236,919
Contracted and general services	10,974	365,704	261,943	36,294	21,906	184,499	387,095	1,268,414
Materials, goods and utilities	57,883	222,773	385,246	50,194	13,468	299,752	322,415	1,351,732
Recovery of provision for allowances	195,517	193,540	510,915	1,000	35,974	168,821	59,249	1,165,016
Transfers to local boards and agencies	-	-	-	-	-	-	14,229	14,229
Bank charges and interest	-	-	-	-	-	-	1,000	1,000
Interest on long-term debt	-	-	-	-	-	-	22,821	22,821
Amortization of tangible capital assets	-	-	68,346	-	-	10,933	-	79,279
	39,624	467,274	512,257	-	14,086	131,365	60,171	1,224,777
	303,998	1,249,291	1,738,707	87,488	85,434	795,370	866,981	5,127,268
Other:								
Government transfers - capital	-	68,738	-	-	-	-	-	68,738
Annual surplus (deficit)	\$ (126,484)	\$ (1,102,239)	\$ (350,628)	\$ (40,388)	\$ (45,210)	\$ (714,707)	\$ 1,558,045	\$ (821,611)

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

17. Segmented information (continued):

	2016 (Note 20)							
	Protective Services	Public Works and Transportation	Utilities	Planning and Development	Family and Community Support	Recreation, Parks and Library Services	Other Municipal	Total
Revenue:								
Net municipal taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,382,643	\$ 1,382,643
User fees and sales of goods	145,433	48,417	1,452,156	10	29,943	7,432	365	1,683,756
Government transfers - operating	233,411	-	9,121	48,000	31,557	-	796,400	1,118,489
Rental income	-	52,255	-	(6,217)	5,092	55,790	4,200	111,120
Franchise and concession contracts	-	-	-	-	-	-	158,232	158,232
Penalties and costs of taxes	-	-	-	-	-	-	24,923	24,923
Licenses and permits	6,822	-	-	1,619	-	-	-	8,441
Investment income	-	-	-	-	-	-	105,945	105,945
Other	16,126	-	8,867	-	5,366	26,803	12,839	70,001
Gain on sale of investments	-	-	-	-	-	-	17,431	17,431
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-	-
Expenses:								
Salaries, wages and benefits	401,792	100,672	1,470,144	43,412	71,958	90,025	2,502,978	4,680,981
Contracted and general services	111,602	359,095	194,198	32,951	9,621	176,277	464,062	1,347,806
Materials, goods and utilities	94,834	281,290	359,833	56,399	14,348	173,875	228,733	1,209,312
Recovery of provision for allowances	278,887	208,540	477,362	1,905	109,338	177,413	56,035	1,309,480
Transfers to local boards and agencies	-	-	-	-	-	-	797	797
Bank charges and interest	-	-	-	6,250	-	-	1,000	7,250
Interest on long-term debt	-	-	-	-	-	-	22,986	22,986
Amortization of tangible capital assets	-	-	74,509	-	-	15,201	-	89,710
Government transfers - capital	30,023	462,456	518,800	-	14,086	130,867	60,713	1,216,945
	515,346	1,311,381	1,602,891	97,505	147,393	695,444	834,326	5,204,286
Annual surplus (deficit)	\$ (93,554)	\$ (1,069,009)	\$ (132,747)	\$ (54,093)	\$ (75,435)	\$ (605,419)	\$ 1,668,652	\$ (361,605)

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

18. Budget:

The budget data presented in these consolidated financial statements of the Town includes the 2017 capital budget and the operating budget, excluding budgeted amortization of tangible capital assets as management does not include this expense within their budget. The capital and operating budgets were approved by Council on April 18, 2017.

19. Approval of financial statements:

Council and Management have approved these financial statements on April 30, 2018.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

20. Comparative information:

The Town has retrospectively adjusted certain financial statement accounts as at and for the year ended December 31, 2016 due to the fact the Town identified adjustments required for 2014, 2015 and 2016 capital and operating government transfers related to the Municipal Sustainability Initiative program grant. The Town determined that authorization and eligibility criteria were met in the respective years and additional government transfers revenue should have been recognized in each of those years. The comparative information has been adjusted to correct for this item.

The adjustment to the tangible capital assets, expenses and capital government transfers have been applied retrospectively as follows:

	December 31, 2016 (previously reported)	Adjustments	December 31, 2016 (as adjusted)
Consolidated Statement of Financial Position			
Financial Assets	\$ 7,504,965	\$ 178,186	\$ 7,683,151
Liabilities	3,122,739	(209,081)	2,913,658
Net Financial Assets	4,382,226	387,267	4,769,493
Non-financial Assets	34,443,801	48,659	34,492,460
Accumulated surplus	\$ 38,826,027	\$ 435,926	\$ 39,261,953

Consolidated Statement of Operations and Accumulated

Revenue	\$ 4,660,132	\$ 20,849	\$ 4,680,981
Expenses	5,294,491	(90,205)	5,204,286
Annual surplus (deficit) before other	\$ (634,359)	\$ 111,054	\$ (523,305)
Other	110,108	51,592	161,700
Annual surplus (deficit)	(524,251)	162,646	(361,605)
Accumulated surplus, opening	39,350,278	273,280	39,623,558
Accumulated surplus, closing	\$ 38,826,027	\$ 435,926	\$ 39,261,953

The adjusted amounts relate primarily to the accounting for tangible capital assets and capital government transfers and have minimal or no effect on cash balances, debt limits, property tax revenues or any other balances influencing the Town's capital and operating budget requirements.

Certain other comparative information has been reclassified to conform to the consolidated financial statement presentation adopted for the current year