

Consolidated Financial Statements of

# **TOWN OF RAINBOW LAKE**

Year ended December 31, 2018

# TOWN OF RAINBOW LAKE

## Consolidated Financial Statements

Year ended December 31, 2018

### 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.



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Dan Fletcher  
Chief Administrative Officer

April 15, 2019



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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

We have audited the consolidated financial statements of the Town of Rainbow Lake (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



## ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.





- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

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Chartered Professional Accountants

Edmonton, Canada

April 15, 2019

# TOWN OF RAINBOW LAKE

## Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

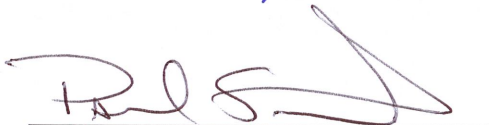
	2018	2017
Financial assets:		
Cash	\$ 345,682	\$ 437,807
Accounts receivable (note 3)	818,608	587,914
Investments (note 4)	5,637,391	6,177,861
Land inventory held for resale	178,186	178,186
	6,979,867	7,381,768
Liabilities:		
Accounts payable and accrued liabilities	359,422	300,769
Deposit liabilities (note 5)	84,972	68,134
Deferred revenue (note 6)	736,151	825,062
Long-term debt (notes 7 and 8)	1,366,688	1,589,731
	2,547,233	2,783,696
Net financial assets	4,432,634	4,598,072
Non-financial assets:		
Tangible capital assets (note 9)	33,419,448	33,690,615
Inventories of supplies	14,482	13,525
Prepaid expenses	140,519	138,130
	33,574,449	33,842,270
Accumulated surplus (note 10)	\$ 38,007,083	\$ 38,440,342

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, 2018, with comparative information for 2017

	Budget (Note 18)	2018	2017
Revenue:			
User fees and sales of goods	\$ 1,654,224	\$ 1,332,269	\$ 1,432,424
Net municipal taxes (note 12)	1,167,510	1,156,023	1,210,879
Government transfers for operating (note 13)	1,196,010	1,006,576	1,043,321
Franchise and concession contracts	120,000	159,594	140,377
Penalties and costs of taxes	70,000	140,923	113,589
Investment income	131,750	127,038	126,150
Rental income	96,782	101,210	99,052
Other	63,868	99,948	64,096
Licenses and permits	2,500	9,509	5,415
Gain on sale of investments	-	6,409	1,616
Gain on disposal of tangible capital assets	-	5,095	-
	4,502,644	4,144,594	4,236,919
Expenses (note 14):			
Water supply and distribution	910,219	1,068,970	919,993
Administration	561,400	777,421	610,817
Recreation, parks and library services	623,650	712,420	795,371
Airport services	323,825	581,926	559,075
Natural gas supply and distribution	466,510	457,106	519,745
Transportation services	418,610	361,342	364,334
Common services	275,257	342,221	325,882
Cable and internet services	140,375	207,040	122,536
Housing rentals	162,335	193,970	164,867
Waste management	210,971	193,229	176,434
Protective services	253,360	144,773	303,998
Legislative	103,350	132,902	91,295
Family and community support	74,860	85,043	85,433
Planning and development	67,600	59,922	66,635
Subdivision land development	25,320	19,066	20,853
	4,617,642	5,337,351	5,127,268
Annual deficit before other	(114,998)	(1,192,757)	(890,349)
Other:			
Government transfer - capital (note 13)	296,793	759,498	68,738
Annual surplus (deficit)	181,795	(433,259)	(821,611)
Accumulated surplus, beginning of year	38,440,342	38,440,342	39,261,953
Accumulated surplus, end of year	\$ 38,622,137	\$ 38,007,083	\$ 38,440,342

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, 2018, with comparative information for 2017

	Budget (Note 18)	2018	2017
Annual surplus (deficit)	\$ 181,795	\$ (433,259)	\$ (821,611)
Acquisition of tangible capital assets	(2,426,168)	(946,014)	(583,286)
Proceeds on disposal of tangible capital assets	-	5,095	-
Amortization of tangible capital assets	-	1,217,181	1,224,777
Gain on disposal of tangible capital assets	-	(5,095)	-
	(2,244,373)	(162,092)	(180,120)
Net acquisition of inventories of supplies	-	(957)	-
Net acquisition of prepaid expenses	-	(2,389)	8,699
	-	(3,346)	8,699
Change in net financial assets	(2,244,373)	(165,438)	(171,421)
Net financial assets, beginning of year	4,598,072	4,598,072	4,769,493
Net financial assets, end of year	\$ 2,353,699	\$ 4,432,634	\$ 4,598,072

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, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations activities:		
Annual deficit	\$ (433,259)	\$ (821,611)
Items not involving cash:		
Amortization of tangible capital assets	1,217,181	1,224,777
Amortization of premium on investments	24,922	29,146
Gain on sale of investments	(6,409)	(1,616)
Gain on disposal of tangible capital assets	(5,095)	-
Change in non-cash items:		
Accounts receivable	(230,694)	(140,781)
Accounts payable and accrued liabilities	58,653	12,005
Deposit liabilities	16,838	(2,962)
Deferred revenue	(88,911)	73,618
Inventories of supplies	(957)	-
Prepaid expenses	(2,389)	8,699
Net change in cash from operating activities	549,880	381,275
Capital activities:		
Acquisition of tangible capital assets	(946,014)	(583,286)
Proceeds from disposal of tangible capital assets	5,095	-
Net change in cash from capital activities	(940,919)	(583,286)
Investing activities:		
Withdrawals (purchases) of investments, net	521,957	(133,436)
Net change in cash from investing activities	521,957	(133,436)
Financing activities:		
Long-term debt repaid	(223,043)	(212,622)
Net change in cash from financing activities	(223,043)	(212,622)
Net change in cash	(92,125)	(548,069)
Cash, at beginning of year	437,807	985,876
Cash, at end of year	\$ 345,682	\$ 437,807
Cash paid for interest	\$ 93,372	\$ 131,892
Cash received from interest	127,625	177,036

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, 2018

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### 1. Nature of organization:

The Town of Rainbow Lake (the "Town") was established on September 1, 1966. 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, 2018

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## 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, 2018

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## 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.

### (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.

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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## 2. Significant accounting policies (continued):

### (i) Non-financial assets (continued):

#### 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.

#### 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.



# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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## 2. Significant accounting policies (continued):

### (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, 2018

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## 2. Significant accounting policies (continued):

(l) Changes in accounting policies:

The City has adopted the following accounting standards effective January 1, 2018: PS2200 *Related Party Transactions*, PS3420 *Inter-Entity Transactions*, PS3210 *Assets*, PS3320 *Contingent Assets* and PS3380 *Contractual Rights*. The adoption of these standards has resulted in certain changes to disclosures in the financial statements.

(m) Future accounting standard pronouncements:

The following summarizes upcoming changes to public sector accounting standards issued by the Public Sector Accounting Standards Board. In 2019, the Town will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption may vary, the requirements in PS1201 *Financial Statement Presentation*, PS3450 *Financial Instruments*, PS 2601 *Foreign Currency Translation* and PS3041 *Portfolio Investments* must be implemented at the same time.

Public Sector Accounting Standard	Effective Date
PS3430 <i>Restructuring Transactions</i>	April 1, 2018
PS1201 <i>Financial Statement Presentation</i>	April 1, 2021
PS3450 <i>Financial Instruments</i>	April 1, 2021
PS2601 <i>Foreign Currency Translation</i>	April 1, 2021
PS3041 <i>Portfolio Investments</i>	April 1, 2021
PS3280 <i>Asset Retirement Obligations</i>	April 1, 2021
PS3400 <i>Revenue</i>	April 1, 2022

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 3. Accounts receivable:

	2018		2017	
Property Taxes				
Property taxes receivable	\$	650,515	\$	623,648
Provision for non-collection		(352,382)		(352,382)
		298,133		271,266
Other Receivables				
Trade receivable		166,989		111,774
Utility receivable		150,177		179,425
Due from staff and councilors		143,517		-
Grants receivable		42,826		-
Local improvements receivable		16,966		25,449
		520,475		316,648
	\$	818,608	\$	587,914

Property taxes receivable include \$439,549 (2017 - \$382,235) of balances outstanding for greater than one year.

## 4. Investments:

	2018		2017	
	Cost	Market value	Cost	Market value
Short-term investments and deposits	\$ 81,217	\$ 81,217	\$ 191,365	\$ 191,365
Corporate, government and government guaranteed bonds	5,556,063	5,492,678	5,986,385	5,950,297
Gas Alberta Inc., 111 Class A shares, at cost	111	111	111	111
	\$ 5,637,391	\$ 5,574,006	\$ 6,177,861	\$ 6,141,773

Short-term investments and deposits have effective interest rates of 1.85% (2017 - 1.00%). Corporate, government and government guaranteed bonds have effective interest rates ranging from 1.85% to 4.0% (2017 - 1.67% to 4.10%) with maturity dates ranging from July 2019 to June 2027 (2017 – July 2018 to June 2027). The Town intends to hold these securities until maturity.

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 5. Deposit liabilities:

	2018	2017
Utility deposits	\$ 62,572	\$ 39,334
Damage deposits	22,400	22,400
Land deposits	-	6,400
	\$ 84,972	\$ 68,134

## 6. Deferred revenue:

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

	2018	2017
Municipal Sustainability Initiative	\$ 423,819	\$ 515,055
Basic Municipal Transportation Grant	289,057	286,905
Alberta Municipal Infrastructure Program	23,275	23,102
	\$ 736,151	\$ 825,062

Continuity of deferred revenue is as follows:

	2018	2017
Balance at beginning of year	\$ 825,062	\$ 751,444
Government transfers received during the year	1,670,975	1,202,407
Funding expired during the year	-	(22,200)
Interest earned	6,188	5,470
Government transfers recognized during the year	(1,766,074)	(1,112,059)
Balance, end of year	\$ 736,151	\$ 825,062

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 7. Long-term debt:

	2018	2017
Utility support debentures	\$ 1,276,484	\$ 1,413,379
Tax supported debentures	90,204	176,352
	<u>\$ 1,366,688</u>	<u>\$ 1,589,731</u>

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.

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

	Principal	Interest	Total
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>\$ 1,366,688</u>	<u>\$ 258,464</u>	<u>\$ 1,625,152</u>

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 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:

	2018	2017
Total debt limit	\$ 6,216,891	\$ 6,355,380
Total debt	<u>1,366,688</u>	<u>1,589,731</u>
Amount by which debt limit unused	4,850,203	4,765,649
Percentage used (%)	21.98%	25.01%
Debt servicing limit	1,036,148	1,059,230
Debt servicing	<u>294,439</u>	<u>294,439</u>
Amount by which debt servicing limit unused	741,709	764,791
Percentage used (%)	28.42%	27.80%

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.



## Notes to Consolidated Financial Statements (continued)

**9. Tangible capital assets:**

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# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 9. Tangible capital assets (continued):

	2017						
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction
<b>Cost:</b>							
Balance, beginning of year	\$ 510,917	\$ 8,626,479	\$ 10,825,827	\$ 26,980,626	\$ 2,098,381	\$ 1,078,134	\$ 244,862
Additions and contributions	-	-	25,042	43,849	40,553	444,932	28,910
Disposals	-	-	-	-	-	-	-
<b>Balance, end of year</b>	<b>510,917</b>	<b>8,626,479</b>	<b>10,850,869</b>	<b>27,024,475</b>	<b>2,138,934</b>	<b>1,523,066</b>	<b>273,772</b>
<b>Amortization:</b>							
Balance, beginning of year	-	548,674	4,028,664	9,507,850	1,208,115	739,817	-
Amortization	-	272,936	232,029	585,761	89,988	44,063	-
Disposals	-	-	-	-	-	-	-
<b>Balance, end of year</b>	<b>-</b>	<b>821,610</b>	<b>4,260,693</b>	<b>10,093,611</b>	<b>1,298,103</b>	<b>783,880</b>	<b>-</b>
<b>Net book value, end of year</b>	<b>\$ 510,917</b>	<b>\$ 7,804,869</b>	<b>\$ 6,590,176</b>	<b>\$ 16,930,864</b>	<b>\$ 840,831</b>	<b>\$ 739,186</b>	<b>\$ 273,772</b>
							<b>\$ 33,690,615</b>

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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## 9. Tangible capital assets (continued):

### a) Assets under construction

Assets under construction having a value of \$364,213 (2017 - \$273,771) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

### b) 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:

	2018	2017
Reserves	\$ 2,212,916	\$ 2,399,432
Invested in tangible capital assets	32,052,760	32,100,884
Unrestricted surplus	3,741,407	3,940,026
	<u>\$ 38,007,083</u>	<u>\$ 38,440,342</u>

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 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 10.39% (2017 - 11.39%) of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 14.84% (2017 - 15.84%) thereafter. Employees of the Town are required to make current service contributions of 9.39% (2017 - 10.39%) of pensionable salary up to YMPE, and 13.84% (2017 - 14.84%) thereafter.

Total current service contributions by the Town to the LAPP in 2018 were \$79,893 (2017 - \$64,801). Total service contributions by the employees of the Town to the LAPP in 2018 were \$74,310 (2017 - \$58,125).

As at December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.84 billion (2016 - \$637 million). This amount was not specifically allocated to the participating government organizations. The 2018 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 (Note 18)	2018	2017
<b>Taxation</b>			
Real property taxes	\$ 1,387,332	\$ 1,387,343	\$ 1,447,162
Government grants in place of property taxes	26,621	26,621	27,215
Linear property taxes	21,582	21,583	23,735
	1,435,535	1,435,547	1,498,112
<b>Requisitions &amp; Other</b>			
Alberta School Foundation Fund	248,025	248,026	270,338
Boreal Housing Foundation	20,000	21,276	16,895
Carbon Tax Levy	-	10,222	-
	268,025	279,524	287,233
<b>Net municipal taxes</b>	<b>\$ 1,167,510</b>	<b>\$ 1,156,023</b>	<b>\$ 1,210,879</b>

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 13. Government transfers:

	Budget	2018	2017
	(Note 18)		(Note 20)
<b>Transfers for operating</b>			
Provincial government	\$ 292,310	\$ 130,809	\$ 241,605
Federal government	107,300	79,367	5,316
Other local government	796,400	796,400	796,400
	1,196,010	1,006,576	1,043,321
<b>Transfers for capital</b>			
Provincial government	296,793	716,672	68,738
Federal government	-	42,826	-
	296,793	759,498	68,738
<b>Total government transfers</b>	<b>\$ 1,492,803</b>	<b>\$ 1,766,074</b>	<b>\$ 1,112,059</b>

## 14. Expenses by object:

	Budget	2018	2017
	(Note 18)		(Note 20)
Contracted and general services	\$ 2,024,344	\$ 1,542,525	\$ 1,351,732
Salaries, wages and benefits	1,393,576	1,436,220	1,268,414
Amortization of tangible capital assets	-	1,217,181	1,224,777
Materials, goods and utilities	1,090,826	1,039,653	1,165,016
Interest on long-term debt	71,396	69,972	79,279
Bank charges and interest	23,500	21,976	22,821
Transfers to local boards and agencies	12,000	9,824	1,000
Allowance for doubtful accounts	2,000	-	14,229
	\$ 4,617,642	\$ 5,337,351	\$ 5,127,268

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 15. Salary and benefits disclosure:

Related parties include key management personnel of the Town. The Town has defined key management personnel to include those individuals disclosed below. Transactions with key management personnel primarily consist of compensation related payments and are undertaken on similar terms and conditions to those that would be adopted if the parties were dealing at arm's length.

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 <sup>1</sup>	Benefits <sup>2</sup>	2018 Total	2017 Total
Mayor/Councillor Farris	\$ 16,950	\$ 666	\$ 17,616	\$ 15,963
Deputy Mayor/Councillor Smith	9,400	293	9,693	6,200
Mayor/Councillor Olorenshaw	-	-	-	10,088
Councillor Bateman	-	-	-	2,400
Councillor Juneau	14,800	559	15,359	2,000
Councillor Lindley	12,200	431	12,631	1,600
Councillor Mitchell	9,600	302	9,902	14,800
CAO Jenkins	100,400	28,541	128,941	72,746
CAO Rourke Card	20,757	3,893	24,650	-
CAO Fletcher	14,000	6,993	20,993	56,744
CAO Dziwenka	-	-	-	18,342
	\$ 198,107	\$ 41,678	\$ 239,785	\$ 200,883

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, Canada Pension Plan, Employment Insurance 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, 2018

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## 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, 2018

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## 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, 2018

## 17. Segmented information (continued):

	2018							
	Protective Services	Public Works and Transportation	Utilities	Planning and Development	Family and Community Support	Recreation, Parks and Library Services	Other Municipal	Total
<b>Revenue:</b>								
Net municipal taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,156,023	\$ 1,156,023
User fees and sales of goods	14,200	55,124	1,255,412	-	3,652	2,749	1,132	1,332,269
Government transfers - operating	-	-	60,723	42,273	32,709	74,471	796,400	1,006,576
Rental income	-	34,190	-	4,516	1,500	56,006	4,998	101,210
Franchise and concession contracts	-	-	-	-	-	-	159,594	159,594
Penalties and costs of taxes	-	-	-	-	-	-	140,923	140,923
Licenses and permits	6,864	-	-	2,645	-	-	-	9,509
Investment income	-	-	-	-	-	-	127,038	127,038
Other	23,130	-	15,521	-	1,300	26,747	33,250	99,948
Gain on sale of investments	-	-	-	-	-	-	6,409	6,409
Gain on disposal of tangible capital assets	-	5,095	-	-	-	-	-	5,095
<b>Expenses:</b>								
Salaries, wages and benefits	44,194	94,409	1,331,656	49,434	39,161	159,973	2,425,767	4,144,594
Contracted and general services	13,650	373,623	302,894	28,315	25,437	196,986	495,315	1,436,220
Materials, goods and utilities	59,224	226,196	544,102	50,673	18,677	200,868	442,785	1,542,525
Transfers to local boards and agencies	20,898	239,892	506,435	-	26,766	174,903	70,759	1,039,653
Bank charges and interest	-	-	-	-	-	-	9,824	9,824
Interest on long-term debt	-	-	-	-	-	-	21,976	21,976
Amortization of tangible capital assets	-	-	63,592	-	-	6,380	-	69,972
	51,001	445,778	509,322	-	14,163	133,283	63,634	1,217,181
	144,773	1,285,489	1,926,345	78,988	85,043	712,420	1,104,293	5,337,351
<b>Other:</b>								
Government transfers - capital	413,658	172,730	65,533	-	3,864	95,566	8,147	759,498
<b>Annual surplus (deficit)</b>	\$ 313,079	\$ (1,018,350)	\$ (529,156)	\$ (29,554)	\$ (42,018)	\$ (456,881)	\$ 1,329,621	\$ (433,259)

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 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
<b>Revenue:</b>								
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	-	-	-	-	-	-	-	-
of taxes	-	-	-	-	-	-	113,589	113,589
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	-	-	-	-	-	-	-	-
	177,514	78,314	1,388,079	47,100	40,224	80,663	2,425,025	4,236,919
<b>Expenses:</b>								
Salaries, wages and benefits	10,974	365,704	261,943	36,294	21,906	184,499	387,094	1,268,414
Contracted and general services	57,883	222,773	385,246	50,194	13,468	299,752	322,416	1,351,732
Materials, goods and utilities	195,517	193,540	510,915	1,000	35,974	168,821	59,249	1,165,016
Recovery of provision for allowances	-	-	-	-	-	-	14,229	14,229
Transfers to local boards and agencies	-	-	-	-	-	-	1,000	1,000
Bank charges and interest	-	-	-	-	-	-	22,821	22,821
Interest on long-term debt	-	-	68,346	-	-	10,933	-	79,279
Amortization of tangible capital assets	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	866,980	5,127,268
<b>Other:</b>								
Government transfers - capital	-	68,738	-	-	-	-	-	68,738
<b>Annual surplus (deficit)</b>	\$ (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, 2018

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## **18. Budget:**

The budget data presented in these consolidated financial statements of the Town includes the 2018 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 March 29, 2018.

## **19. Approval of financial statements:**

Council and Management have approved these financial statements on April 15, 2019.

## **20. Comparative Information:**

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.