

Consolidated Financial Statements of

TOWN OF RAINBOW LAKE

Year ended December 31, 2019

TOWN OF RAINBOW LAKE

Consolidated Financial Statements

Year ended December 31, 2019

Consolidated Financial Statements

Management's Responsibility for the Consolidated Financial Statements

Independent Auditors' Report

Consolidated Statement of Financial Position	1
Consolidated Statement of Operations and Accumulated Surplus	2
Consolidated Statement of Changes in Net Financial Assets	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5

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.

Dan Fletcher
Chief Administrative Officer

April 15, 2020



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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, 2019
- 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 financial position of the Entity as at December 31, 2019, and its results of its operations, its changes in net assets and its 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 represents 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

Chartered Professional Accountants

Edmonton, Canada

April 20, 2020

TOWN OF RAINBOW LAKE

Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets:		
Cash	\$ 1,067,608	\$ 345,682
Accounts receivable (note 3)	491,081	818,608
Investments (note 4)	4,211,762	5,637,391
Land inventory held for resale	298,186	178,186
	<u>6,068,637</u>	<u>6,979,867</u>
Liabilities:		
Accounts payable and accrued liabilities	321,611	359,422
Deposit liabilities (note 5)	93,707	84,972
Deferred revenue (note 6)	705,412	736,151
Long-term debt (notes 7 and 8)	1,133,153	1,366,688
	<u>2,253,883</u>	<u>2,547,233</u>
Net financial assets	3,814,754	4,432,634
Non-financial assets:		
Tangible capital assets (note 9)	32,766,667	33,419,448
Inventories of supplies	12,796	14,482
Prepaid expenses	129,279	140,519
	<u>32,908,742</u>	<u>33,574,449</u>
Accumulated surplus (note 10)	<u>\$ 36,723,496</u>	<u>\$ 38,007,083</u>

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

Approved by:

_____ Mayor

_____ Councillor

TOWN OF RAINBOW LAKE

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	Budget (Note 18)	2019	2018
Revenue:			
User fees and sales of goods	\$ 1,763,215	\$ 1,336,843	\$ 1,332,269
Net municipal taxes (note 12)	995,665	987,394	1,156,023
Government transfers for operating (note 13)	949,200	915,640	1,006,576
Franchise and concession contracts	140,000	162,131	159,594
Penalties and costs of taxes	145,000	151,397	140,923
Investment income	135,000	109,330	133,447
Rental income	123,747	136,865	101,210
Other	71,518	97,003	99,948
Licenses and permits	2,600	4,126	9,509
	<u>4,325,945</u>	<u>3,900,729</u>	<u>4,139,499</u>
Expenses (note 14):			
Water supply and distribution	505,215	1,028,842	1,068,970
Administration	617,918	886,356	777,421
Recreation, parks and library services	558,137	679,110	712,420
Airport services	294,207	620,418	581,926
Natural gas supply and distribution	402,136	558,601	457,106
Transportation services	344,403	342,888	361,342
Common services	231,255	293,727	342,221
Cable and internet services	310,951	227,588	207,040
Waste management	190,543	222,277	193,229
Housing rentals	195,179	210,906	193,970
Protective services	76,500	193,751	144,773
Legislative	146,300	142,208	132,902
Family and community support	81,792	86,936	85,043
Planning and development	69,200	68,356	59,922
Subdivision land development	24,124	54,404	19,066
Loss on sale of investments	-	2,405	-
	<u>4,047,860</u>	<u>5,618,773</u>	<u>5,337,351</u>
Annual surplus (deficit) before other	278,085	(1,718,044)	(1,197,852)
Other:			
Government transfer - capital (note 13)	1,878,187	512,904	759,498
Loss (gain) on disposal of tangible capital assets	-	(78,447)	5,095
Annual surplus (deficit)	2,156,272	(1,283,587)	(433,259)
Accumulated surplus, beginning of year	38,007,083	38,007,083	38,440,342
Accumulated surplus, end of year	\$ 40,163,355	\$ 36,723,496	\$ 38,007,083

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, 2019, with comparative information for 2018

	Budget (Note 18)	2019	2018
Annual surplus (deficit)	\$ 2,156,272	\$ (1,283,587)	\$ (433,259)
Acquisition of tangible capital assets	(1,651,694)	(656,838)	(946,014)
Proceeds on disposal of tangible capital assets	-	-	5,095
Amortization of tangible capital assets	-	1,231,172	1,217,181
Loss (gain) on disposal of tangible capital assets	-	78,447	(5,095)
	504,578	(630,806)	(162,092)
Net consumption (acquisition) of inventories of supplies	-	1,686	(957)
Net use (acquisition) of prepaid expenses	-	11,240	(2,389)
	-	12,926	(3,346)
Change in net financial assets	504,578	(617,880)	(165,438)
Net financial assets, beginning of year	4,432,634	4,432,634	4,598,072
Net financial assets, end of year	\$ 4,937,212	\$ 3,814,754	\$ 4,432,634

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, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations activities:		
Annual deficit	\$ (1,283,587)	\$ (433,259)
Items not involving cash:		
Amortization of tangible capital assets	1,231,172	1,217,181
Amortization of premium on investments	20,544	24,922
Loss (gain) on sale of investments	2,405	(6,409)
Loss (gain) on disposal of tangible capital assets	78,447	(5,095)
Change in non-cash items:		
Accounts receivable	327,527	(230,694)
Land held for resale	(120,000)	-
Accounts payable and accrued liabilities	(37,811)	58,653
Deposit liabilities	8,735	16,838
Deferred revenue	(30,739)	(88,911)
Inventories of supplies	1,686	(957)
Prepaid expenses	11,240	(2,389)
Net change in cash from operating activities	209,619	549,880
Capital activities:		
Acquisition of tangible capital assets	(656,838)	(946,014)
Proceeds from disposal of tangible capital assets	-	5,095
Net change in cash from capital activities	(656,838)	(940,919)
Investing activities:		
Withdrawals of investments, net	1,402,680	521,957
Net change in cash from investing activities	1,402,680	521,957
Financing activities:		
Long-term debt repaid	(233,535)	(223,043)
Net change in cash from financing activities	(233,535)	(223,043)
Increase (decrease) in cash	721,926	(92,125)
Cash, at beginning of year	345,682	437,807
Cash, at end of year	\$ 1,067,608	\$ 345,682
Cash paid for interest	\$ 83,335	\$ 93,372
Cash received from interest	147,653	127,625

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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 a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

(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, 2019

2. Significant accounting policies (continued):

(l) Changes in accounting policies:

The Town has prospectively adopted PS 3430, Restructuring Transactions effective January 1, 2019. The adoption of this standard has not resulted in any measurement or disclosure changes in the consolidated 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 2020, 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
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, 2019

3. Accounts receivable:

	2019		2018	
Property Taxes				
Property taxes receivable	\$	412,014	\$	650,515
Provision for non-collection		(354,063)		(352,382)
		57,951		298,133
Other Receivables				
Trade receivable		201,566		166,989
Utility receivable		183,779		150,177
Due from staff and Councillors		95,769		143,517
Grants receivable		2,821		42,826
Local improvements receivable		8,483		16,966
Provision for non-collection		(59,288)		-
		433,130		520,475
	\$	491,081	\$	818,608

Property taxes receivable include \$224,788 (2018 - \$439,549) of balances outstanding for greater than one year. The property taxes receivable balance of \$224,788 outstanding for greater than one year was fully allowed for as at December 31, 2019.

4. Investments:

	2019		2018	
	Cost	Market value	Cost	Market value
Short-term investments and deposits	\$ 56,955	\$ 56,955	\$ 81,217	\$ 81,217
Corporate, government and government guaranteed bonds	4,154,696	4,152,128	5,556,063	5,492,678
Gas Alberta Inc., 111 Class A shares, at cost	111	111	111	111
	\$ 4,211,762	\$ 4,209,194	\$ 5,637,391	\$ 5,574,006

Short-term investments and deposits have effective interest rates of 1.31% (2018 - 1.85%). Corporate, government and government guaranteed bonds have effective interest rates ranging from 2.07% to 2.23% (2018 - 1.85% to 4.0%) with maturity dates ranging from July 2020 to February 2028 (2018 – July 2019 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, 2019

5. Deposit liabilities:

	2019		2018	
Utility deposits	\$	71,307	\$	62,572
Damage deposits		22,400		22,400
	\$	93,707	\$	84,972

6. Deferred revenue:

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

	2019		2018	
Municipal Sustainability Initiative - capital	\$	390,738	\$	411,984
Municipal Sustainability Initiative - operating		-		11,835
Basic Municipal Transportation Grant		291,224		289,057
Alberta Municipal Infrastructure Program		23,450		23,275
	\$	705,412	\$	736,151

Continuity of deferred revenue is as follows:

	2019		2018	
Balance at beginning of year	\$	736,151	\$	825,062
Government transfers received during the year		1,392,283		1,670,975
Interest earned		5,522		6,188
Government transfers recognized during the year		(1,428,544)		(1,766,074)
Balance, end of year	\$	705,412	\$	736,151

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

7. Long-term debt:

	2019	2018
Utility supported debentures	\$ 1,133,153	\$ 1,276,484
Tax supported debentures	-	90,204
	\$ 1,133,153	\$ 1,366,688

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 2025 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
2020	\$ 150,070	\$ 51,004	\$ 201,074
2021	157,126	43,948	201,074
2022	164,514	36,561	201,075
2023	172,249	28,826	201,075
Thereafter	489,194	37,221	526,415
	\$ 1,133,153	\$ 197,560	\$ 1,330,713

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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:

	2019	2018
Total debt limit	\$ 5,851,094	\$ 6,216,891
Total debt	<u>1,133,153</u>	<u>1,366,688</u>
Amount by which debt limit unused	4,717,941	4,850,203
Percentage used (%)	19.37%	21.98%
Debt servicing limit	975,182	1,036,148
Debt servicing	<u>294,439</u>	<u>294,439</u>
Amount by which debt servicing limit unused	680,743	741,709
Percentage used (%)	30.19%	28.42%

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, 2019

9. Tangible capital assets:

	2019							
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	Total
Cost:								
Balance, beginning of year	\$ 510,917	\$ 8,659,390	\$ 10,988,443	\$ 27,523,052	\$ 2,274,071	\$ 1,352,840	\$ 364,213	\$ 51,672,926
Internal transfers	-	-	-	83,322	-	-	(83,322)	-
Additions and contributions	25,000	-	100,874	967,719	225,933	-	37,311	1,356,837
Disposals	-	-	-	-	-	-	(78,447)	(78,447)
Balance, end of year	535,917	8,659,390	11,089,317	28,574,093	2,500,004	1,352,840	239,755	52,951,316
Amortization:								
Balance, beginning of year	-	1,095,644	4,492,679	10,650,774	1,395,247	619,134	-	18,253,478
Amortization	-	292,897	232,112	538,317	110,307	57,539	-	1,231,172
Contributions	-	-	-	699,999	-	-	-	699,999
Disposals	-	-	-	-	-	-	-	-
Balance, end of year	-	1,388,541	4,724,791	11,889,090	1,505,554	676,673	-	20,184,649
Net book value, end of year	\$ 535,917	\$ 7,270,849	\$ 6,364,526	\$ 16,685,003	\$ 994,450	\$ 676,167	\$ 239,755	\$ 32,766,667

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

9. Tangible capital assets (continued):

	2018							
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	Total
Cost:								
Balance, beginning of year	\$ 510,917	\$ 8,626,479	\$ 10,850,869	\$ 27,024,475	\$ 2,138,934	\$ 1,523,066	\$ 273,772	\$ 50,948,512
Internal transfers	-	-	-	249,417	-	-	(249,417)	-
Additions and contributions	-	32,911	137,574	249,160	135,137	51,374	339,858	946,014
Disposals	-	-	-	-	-	(221,600)	-	(221,600)
Balance, end of year	510,917	8,659,390	10,988,443	27,523,052	2,274,071	1,352,840	364,213	51,672,926
Amortization:								
Balance, beginning of year	-	821,610	4,260,693	10,093,611	1,298,103	783,880	-	17,257,897
Amortization	-	274,034	231,986	557,163	97,144	56,854	-	1,217,181
Disposals	-	-	-	-	-	(221,600)	-	(221,600)
Balance, end of year	-	1,095,644	4,492,679	10,650,774	1,395,247	619,134	-	18,253,478
Net book value, end of year	\$ 510,917	\$ 7,563,746	\$ 6,495,764	\$ 16,872,278	\$ 878,824	\$ 733,706	\$ 364,213	\$ 33,419,448

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

9. Tangible capital assets (continued):

a) Assets under construction

Assets under construction having a value of \$239,755 (2018 - \$364,213) 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:

	2019	2018
Reserves	\$ 4,146,023	\$ 2,212,916
Invested in tangible capital assets	31,633,514	32,052,760
Unrestricted surplus	943,959	3,741,407
	\$ 36,723,496	\$ 38,007,083

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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 9.39% (2018 - 10.39%) of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 13.84% (2018 - 14.84%) thereafter. Employees of the Town are required to make current service contributions of 8.39% (2018 - 9.39%) of pensionable salary up to YMPE, and 12.84% (2018 - 13.84%) thereafter.

Total current service contributions by the Town to the LAPP in 2019 were \$91,521 (2018 - \$79,893). Total service contributions by the employees of the Town to the LAPP in 2019 were \$83,261 (2018 - \$74,310).

As at December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.47 billion (2017 - \$4.84 billion). This amount was not specifically allocated to the participating government organizations. The 2019 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)	2019	2018
Taxation			
Real property taxes	\$ 1,230,384	\$ 1,216,650	\$ 1,387,343
Government grants in place of property taxes	23,997	17,998	26,621
Linear property taxes	21,582	23,960	21,583
	<u>1,275,963</u>	<u>1,258,608</u>	<u>1,435,547</u>
Requisitions & Other			
Alberta School Foundation Fund	248,025	236,820	248,026
Boreal Housing Foundation	22,273	22,273	21,276
Carbon Tax Levy	10,000	12,121	10,222
	<u>280,298</u>	<u>271,214</u>	<u>279,524</u>
Net municipal taxes	<u>\$ 995,665</u>	<u>\$ 987,394</u>	<u>\$ 1,156,023</u>

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

13. Government transfers:

	Budget	2019	2018
	(Note 18)		
Transfers for operating			
Provincial government	\$ 117,800	\$ 105,540	\$ 130,809
Federal government	5,000	13,700	79,367
Other local government	796,400	796,400	796,400
	919,200	915,640	1,006,576
Transfers for capital			
Provincial government	1,232,051	231,002	716,672
Federal government	646,136	281,902	42,826
	1,878,187	512,904	759,498
Total government transfers	\$ 2,797,387	\$ 1,428,544	\$ 1,766,074

14. Expenses by object:

	Budget	2019	2018
	(Note 18)		
Contracted and general services	\$ 1,636,875	\$ 1,732,898	\$ 1,542,525
Salaries, wages and benefits	1,378,180	1,451,142	1,436,220
Amortization of tangible capital assets	-	1,231,172	1,217,181
Materials, goods and utilities	888,900	824,464	1,039,653
Interest on long-term debt	60,905	59,412	69,972
Bank charges and interest	24,000	22,431	21,976
Transfers to local boards and agencies	57,000	57,649	9,824
Bad debt expense	2,000	237,200	-
Loss on sale of investments	-	2,405	-
	\$ 4,047,860	\$ 5,618,773	\$ 5,337,351

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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 ¹	Benefits ²	2019 Total	2018 Total
Mayor/Councillor Farris	\$ 17,600	\$ 726	\$ 18,326	\$ 17,616
Deputy Mayor/Councillor Smith	6,400	189	6,589	9,693
Councillor Juneau	12,000	461	12,461	15,359
Councillor Lindley	7,200	250	7,450	12,631
Councillor Mitchell	7,000	226	7,226	9,902
CAO Jenkins	-	-	-	128,941
CAO Rourke Card	-	-	-	24,650
CAO Fletcher	140,005	46,265	186,270	20,993
	\$ 190,205	\$ 48,117	\$ 238,322	\$ 239,785

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, 2019

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, 2019

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, 2019

17. Segmented information (continued):

	2019							Total
	Protective Services	Public Works and Transportation	Utilities	Planning and Development	Family and Community Support	Recreation, Parks and Library Services	Other Municipal	
Revenue:								
Net municipal taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 987,394	\$ 987,394
User fees and sales of goods	6,625	62,176	1,258,608	-	5,885	2,651	898	1,336,843
Government transfers - operating	-	-	25,683	43,541	41,513	8,503	796,400	915,640
Rental income	-	69,877	-	4,650	3,000	55,105	4,233	136,865
Franchise and concession contracts	-	-	-	-	-	-	162,131	162,131
Penalties and costs of taxes	-	-	-	-	-	-	151,397	151,397
Licenses and permits	1,876	-	-	2,250	-	-	-	4,126
Investment income	-	-	-	-	-	-	109,330	109,330
Other	33,302	-	29,220	-	100	10,835	23,546	97,003
	41,803	132,053	1,313,511	50,441	50,498	77,094	2,235,329	3,900,729
Expenses:								
Salaries, wages and benefits	13,294	345,884	356,807	36,057	29,981	223,924	445,195	1,451,142
Contracted and general services	102,804	276,959	680,281	81,941	15,776	188,760	386,377	1,732,898
Materials, goods and utilities	15,315	205,762	420,864	-	27,016	127,048	28,459	824,464
Transfers to local boards and agencies	-	-	-	4,762	-	-	52,887	57,649
Bank charges and interest	-	-	-	-	-	-	22,431	22,431
Interest on long-term debt	-	-	56,435	-	-	2,977	-	59,412
Amortization of tangible capital assets	62,338	428,429	522,920	-	14,163	136,401	66,921	1,231,172
Bad debt expense	-	-	-	-	-	-	237,200	237,200
Loss on sale of investments	-	-	-	-	-	-	2,405	2,405
	193,751	1,257,034	2,037,307	122,760	86,936	679,110	1,241,875	5,618,773
Other:								
Government transfers - capital	-	22,000	441,291	-	-	49,613	-	512,904
Loss on disposal of tangible capital assets	-	-	-	-	-	-	(78,447)	(78,447)
Annual surplus (deficit)	\$ (151,948)	\$ (1,102,981)	\$ (282,505)	\$ (72,319)	\$ (36,438)	\$ (552,403)	\$ 915,007	\$ (1,283,587)

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

17. Segmented information (continued):

	2018							Total
	Protective Services	Public Works and Transportation	Utilities	Planning and Development	Family and Community Support	Recreation, Parks and Library Services	Other Municipal	
Revenue:								
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
	44,194	94,409	1,331,656	49,434	39,161	159,973	2,425,767	4,144,594
Expenses:								
Salaries, wages and benefits	13,650	373,623	302,894	28,315	25,437	196,986	495,315	1,436,220
Contracted and general services	59,224	226,196	544,102	50,673	18,677	200,868	442,785	1,542,525
Materials, goods and utilities	20,898	239,892	506,435	-	26,766	174,903	70,759	1,039,653
Transfers to local boards and agencies	-	-	-	-	-	-	9,824	9,824
Bank charges and interest	-	-	-	-	-	-	21,976	21,976
Interest on long-term debt	-	-	63,592	-	-	6,380	-	69,972
Amortization of tangible capital assets	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
Other:								
Government transfers - capital	413,658	172,730	65,533	-	3,864	95,566	8,147	759,498
Annual surplus (deficit)	\$ 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, 2019

18. Budget:

The budget data presented in these consolidated financial statements of the Town includes the 2019 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 29, 2019.

19. Approval of financial statements:

Council and Management have approved these financial statements on April 20, 2020.

20. Subsequent Events:

On March 11, 2020, the World Health Organization (WHO) declared coronavirus disease 2019 (COVID-19) a pandemic. COVID-19 is affecting major economic and financial markets, and virtually all industries are facing challenges associated with the economic conditions resulting from efforts to address it.

Despite the measures already taken to slow down the spread of the pandemic (ie: suspension of non-essential services, closure of the recreational complex, 90-day deferral of utility payments), the continuation of these economic conditions could have a prolonged negative impact on the Town's financial condition and results.

As the COVID-19 circumstances evolve, the Town may need to establish processes and procedures to obtain the information necessary to carefully consider the Town's unique circumstances and risk exposures when analyzing how recent events may affect the Town's financial reporting. The impact of all material current or potential effects of the COVID-19 pandemic cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the Town.