

Consolidated Financial Statements of

# **TOWN OF RAINBOW LAKE**

Year ended December 31, 2013

# **TOWN OF RAINBOW LAKE**

## **Consolidated Financial Statements**

**Year ended December 31, 2013**

### **Consolidated Financial Statements**

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying consolidated financial statements of the Town of Rainbow Lake, which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

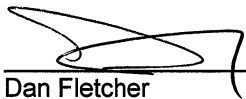
## **Management's Responsibility for the Consolidated Financial Statements**

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

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

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

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

A stylized, handwritten signature in black ink, appearing to read 'Dan Fletcher', positioned above a horizontal line.

Dan Fletcher  
Chief Administrative Officer

A stylized, handwritten signature in black ink, appearing to read 'Karen Huff', positioned above a horizontal line.

Karen Huff  
Chief Financial Officer

April 29, 2014



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town of Rainbow Lake as at December 31, 2013, and its consolidated results of operations, its consolidated changes in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

Chartered Accountants

April 29, 2014  
Edmonton, Canada

# TOWN OF RAINBOW LAKE

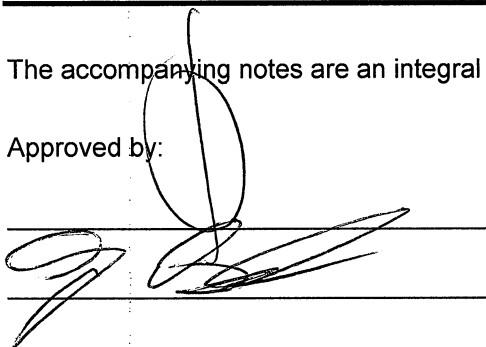
## Consolidated Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
		(Restated – note 22)
<b>Financial assets:</b>		
Cash and temporary investments (note 4)	\$ -	\$ 175,814
Accounts receivable (note 5)	614,129	885,842
Land held for resale	178,254	200,485
Investments (note 6)	4,899,003	4,448,027
	<u>5,691,386</u>	<u>5,710,168</u>
<b>Liabilities:</b>		
Cheques issued in excess of funds on deposit (note 4)	5,592	-
Accounts payable and accrued liabilities	368,621	467,513
Deposit liabilities (note 7)	97,225	89,295
Deferred revenue (note 8)	697,838	885,844
Wages and benefits payable	42,839	56,171
Long-term debt (note 9)	2,386,097	2,563,341
	<u>3,598,212</u>	<u>4,062,164</u>
Net financial assets	2,093,174	1,648,004
<b>Non-financial assets:</b>		
Tangible capital assets (note 11)	27,694,048	28,336,100
Inventories of supplies	14,434	14,434
Prepaid expenses	212,378	164,980
	<u>27,920,860</u>	<u>28,515,514</u>
Accumulated surplus (note 12)	\$ 30,014,034	\$ 30,163,518

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, 2013, with comparative information for 2012

	Budget (Note 21)	2013	2012 (Restated – note 22)
Revenue:			
Net municipal taxes (note 14)	\$ 1,172,275	\$ 1,157,204	\$ 1,160,523
User fees and sales of goods	2,476,437	2,254,275	2,367,541
Government transfers (note 15)	1,755,767	1,035,899	1,069,606
Rental income	201,829	162,066	169,713
Franchise and concession contracts	85,000	91,456	87,576
Penalties and costs of taxes	47,000	9,946	48,114
Licenses and permits	25,000	10,056	36,100
Investment income	51,700	111,892	111,303
Other	20,950	149,303	100,777
	5,835,958	4,982,097	5,151,253
Expenses (note 16):			
Legislative	97,550	69,176	77,950
Administration	725,224	592,482	442,703
Protective services	344,071	234,950	338,927
Common services	330,785	283,104	289,644
Transportation services	688,265	400,096	541,173
Airport services	633,180	459,380	339,471
Water supply and distribution	727,255	1,131,797	998,750
Waste management	215,516	203,635	195,395
Family and community support	59,350	63,753	65,538
Planning and development	94,641	81,710	77,972
Subdivision land development	-	-	-
Housing rentals	162,144	186,614	138,246
Recreation, parks and library services	585,216	683,201	577,025
Natural gas supply and distribution	808,807	589,430	551,403
Cable and internet services	148,945	152,253	151,352
	5,620,949	5,131,581	4,785,549
Annual surplus (deficit)	215,009	(149,484)	365,704
Accumulated surplus, beginning of year	30,163,518	30,163,518	29,797,814
Accumulated surplus, end of year	\$ 30,378,527	\$ 30,014,034	\$ 30,163,518

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, 2013, with comparative information for 2012

	Budget (Note 21)	2013	2012 (Restated – note 22)
Annual surplus (deficit)	\$ 215,009	\$ (149,484)	\$ 365,704
Acquisition of tangible capital assets	(489,689)	(270,816)	(458,051)
Amortization of tangible capital assets	-	912,868	878,016
	(274,680)	642,052	419,965
Acquisition of prepaid expenses	-	(47,398)	(20,286)
Consumption of inventories of supplies	-	-	3,186
	-	(47,398)	(17,100)
Change in net financial assets	(274,680)	445,170	768,569
Net financial assets, beginning of year	1,580,140	1,648,004	879,435
Net financial assets, end of year	\$ 1,305,460	\$ 2,093,174	\$ 1,648,004

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, 2013, with comparative information for 2012

	2013	2012
		(Restated – note 22)
Cash provided by (used in):		
Operations activities:		
Annual surplus (deficit)	\$ (149,484)	\$ 365,704
Items not involving cash:		
Amortization of tangible capital assets	912,868	878,016
Amortization of premium on investments	24,204	16,564
Gain on sale of investments	(10,713)	(24,581)
Change in non-cash assets and liabilities:		
Accounts receivable	271,713	(34,578)
Land held for resale	22,231	-
Accounts payable and accrued liabilities	(98,892)	(134,282)
Deposit liabilities	7,930	(5,866)
Deferred revenue	(188,006)	(187,086)
Wages and benefits payable	(13,332)	12,330
Inventories of supplies	-	3,186
Prepaid expenses	(47,398)	(20,286)
Net change in cash from operating activities	731,121	869,121
Capital activities:		
Acquisition of tangible capital assets	(270,816)	(458,051)
Net change in cash from capital activities	(270,816)	(458,051)
Investing activities:		
Purchase of investments	(1,914,467)	(1,494,974)
Sale of investments	1,450,000	1,300,000
Net change in cash from investing activities	(464,467)	(194,974)
Financing activities:		
Long-term debt repaid	(177,244)	(230,626)
Net change in cash from financing activities	(177,244)	(230,626)
Net change in cash and temporary investments	(181,406)	(14,530)
Cash at beginning of year	175,814	190,344
Cash and temporary investments, (Cheques issued in excess of funds on deposit), at end of year	\$ (5,592)	\$ 175,814
Cash paid for interest	\$ 141,757	\$ 148,882
Cash received from interest	125,407	86,916

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, 2013

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### 1. Nature of Organization:

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

##### i) Consolidated entities

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

##### ii) Accounting for housing management bodies and school board transactions

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

##### iii) 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, 2013

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### 2. Significant accounting policies (continued):

#### (a) Basis of consolidation (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.

#### (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, 2013

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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 MGA, 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. This accounting policy was adopted in the current year on a retrospective basis as disclosed in Note 22.

### (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) Land held for resale:

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

### (i) Investments:

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

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

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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## 2. Significant accounting policies (continued):

### (j) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

### i) Tangible capital assets

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

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

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

# TOWN OF RAINBOW LAKE

## Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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### 2. Significant accounting policies (continued):

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

##### ii) Contributions of tangible capital assets

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

##### iii) Works of art and cultural and historic assets

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

##### iv) Interest capitalization

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

##### v) Inventories of supplies

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

#### (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 in estimating the provisions for uncollectible accounts receivable and assumptions related to recording accrued liabilities.

# TOWN OF RAINBOW LAKE

## Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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### 2. Significant accounting policies (continued):

#### (I) Future accounting standard pronouncements:

The following summarizes upcoming changes to PSAS. In 2014, the Town will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently.

##### i) Liability for Contaminated Sites

PS 3260, *Liability for Contaminated Sites*, establishes standards on remediation, recognition, and measurement of liabilities associated with contaminated sites, and provides requirements for financial statement presentation and disclosure. This standard is applicable for fiscal years beginning on or after April 1, 2014.

##### ii) Financial Statement Presentation

PS 1201, *Financial Statement Presentation*, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2016.

##### iii) Foreign Currency Translation

PSAB issued PS 2601, *Foreign Currency Translation*, replacing the current PS 2600. This standard requires that monetary assets and liabilities denominated in a foreign currency and non-monetary items included in the fair value category, denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is applicable for fiscal years beginning on or after April 1, 2016.

##### iv) Portfolio Investments

PS 3041, *Portfolio Investments*, has removed the distinction between temporary and portfolio investments. This standard now includes pooled investments in its scope and was amended to conform to Financial Instruments, PS 3450. Upon adoption of PS 3450 and PS 3041, PS 3030, *Temporary Investments*, will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2016.

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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## 2. Significant accounting policies (continued):

(l) Future accounting standard pronouncements (continued):

v) Financial Instruments:

PS 3450, *Financial Instruments*, establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2016.

## 3. Change in accounting policies:

Government Transfers:

Effective January 1, 2013, the Town adopted PS 3410, *Government Transfers*. This standard was adopted on a prospective basis.

Under PS 3410, municipalities are required to assess government transfers to determine if they meet the requirements for deferral. If the transfers do not meet the deferral requirements, they are recorded as revenue when the transfers are authorized and all eligibility criteria have been met. There were no adjustments as a result of the adoption of this standard.

Tax Revenue:

Effective January 1, 2013, the Town adopted Public PS 3510, *Tax Revenue*. This standard was adopted on a prospective basis.

Under PS 3510, municipalities recognize property tax revenue using the approved mill rate and the anticipated assessment. The standard requires that property tax revenue be reported net of tax concessions. Tax transfers are reported as an expense and taxes levied on behalf of others in a flow through arrangement are not reported in the statement of operations. Local improvements, to be paid in whole or in part by a tax imposed on benefiting property owners, is recognized as revenue in the period that the project expenditures are completed. This standard was adopted on a retrospective basis. The impact of the change in accounting policy is disclosed in Note 22.



# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 4. Cash and temporary investments (cheques issued in excess of funds on deposit):

	2013	2012
Cash (cheques issued in excess of funds on deposit)	\$ (51,595)	\$ 132,934
Temporary investments	46,003	42,880
	<u>\$ (5,592)</u>	<u>\$ 175,814</u>

Temporary investments is comprised of savings accounts with interest rates of 0.60 percent (2012 - 0.60 percent).

## 5. Accounts receivable:

	2013	2012
		(Restated – note 22)
Property taxes receivable	\$ 148,710	\$ 144,537
Local improvements receivable	59,381	67,864
Grant and contributions receivable	-	147,765
Utility receivable	231,747	234,339
Other receivables	176,645	295,187
Allowance for doubtful accounts	(2,354)	(3,850)
	<u>\$ 614,129</u>	<u>\$ 885,842</u>

Property taxes receivable include \$47,363 (2012 - \$41,916) of balances outstanding for greater than one year.

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 6. Investments:

	2013		2012	
	Cost	Market value	Cost	Market value
Short-term investments and deposits	\$ 945,702	\$ 945,702	\$ 978,961	\$ 978,961
Corporate, government and government guaranteed bonds	3,953,190	3,959,371	3,468,955	3,540,771
Gas Alberta Inc., 111 Class A shares, at cost	111	111	111	111
	<u>\$ 4,899,003</u>	<u>\$ 4,905,184</u>	<u>\$ 4,448,027</u>	<u>\$ 4,519,843</u>

Short-term investments and deposits have effective interest rates of 1.50%. Corporate, government and government guaranteed bonds have effective interest rates ranging from 2.00% to 4.50% with maturity dates ranging from July 2014 to March 2022. The Town intends to hold these securities until maturity.

## 7. Deposit liabilities:

	2013	2012
Utility deposits	\$ 66,120	\$ 58,190
Land deposits	6,400	6,400
Damage deposits	22,400	22,400
Other deposits	2,305	2,305
	<u>\$ 97,225</u>	<u>\$ 89,295</u>

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 8. Deferred revenue:

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

	2013	2012
<b>Provincial government transfers:</b>		
Alberta Municipal Infrastructure Program	\$ 89,397	\$ 88,952
Basic Municipal Transportation Grant	178,661	177,773
Municipal Sustainability Initiative	309,711	499,648
New Deal for Cities and Communities	90,421	89,971
FireSmart	28,743	28,600
Municipal Grants - Other	905	900
	<b>\$ 697,838</b>	<b>\$ 885,844</b>

Continuity of deferred revenue is as follows:

	2013	2012
<b>Deferred government transfers:</b>		
Deferred government transfers at beginning of year	\$ 885,844	\$ 1,072,930
Government transfers received during the year	50,677	84,465
Interest earned	4,429	5,355
Government transfers recognized during the year	(243,112)	(276,906)
Balance, end of year	<b>\$ 697,838</b>	<b>\$ 885,844</b>

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 9. Long-term debt:

	2013	2012
Tax supported debentures	\$ 483,911	\$ 552,357
Utility supported debentures	1,902,186	2,010,984
	<b>\$ 2,386,097</b>	<b>\$ 2,563,341</b>

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 five years and thereafter are as follows:

	Principal	Interest	Total
2014	\$ 185,581	\$ 108,858	\$ 294,439
2015	194,311	100,128	294,439
2016	203,451	90,988	294,439
2017	213,022	81,417	294,439
2018	223,043	71,396	294,439
Thereafter	1,366,689	258,465	1,625,154
	<b>\$ 2,386,097</b>	<b>\$ 711,252</b>	<b>\$ 3,097,349</b>

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 10. 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:

	2013	2012
Total debt limit	\$ 7,334,492	\$ 7,494,572
Total debt	<u>2,386,097</u>	<u>2,563,341</u>
Amount by which debt limit unused	4,948,395	4,931,231
Percentage used (%)	32.53%	34.20%
Debt servicing limit	1,222,415	1,249,095
Debt servicing	<u>294,439</u>	<u>294,439</u>
Amount by which debt servicing limit unused	927,976	954,656
Percentage used (%)	24.09%	23.57%

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

## TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

### 11. Tangible capital assets :

	2013							
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	Total
<b>Cost:</b>								
Balance, beginning of year	\$ 510,917	\$ 1,012,464	\$ 9,977,249	\$ 24,490,374	\$ 1,598,557	\$ 1,196,576	\$ 2,358,901	\$ 41,145,038
Additions	-	76,001	-	2,325,450	135,829	-	(2,266,464)	270,816
<b>Balance, end of year</b>	<b>510,917</b>	<b>1,088,465</b>	<b>9,977,249</b>	<b>26,815,824</b>	<b>1,734,386</b>	<b>1,196,576</b>	<b>92,437</b>	<b>41,415,854</b>
<b>Accumulated amortization:</b>								
Balance, beginning of year	-	829,050	3,148,617	7,164,546	925,292	741,433	-	12,808,938
Amortization expense	-	26,325	207,273	572,566	69,773	36,931	-	912,868
<b>Balance, end of year</b>	<b>-</b>	<b>855,375</b>	<b>3,355,890</b>	<b>7,737,112</b>	<b>995,065</b>	<b>778,364</b>	<b>-</b>	<b>13,721,806</b>
<b>Net book value, end of year</b>	<b>\$ 510,917</b>	<b>\$ 233,090</b>	<b>\$ 6,621,359</b>	<b>\$ 19,078,712</b>	<b>\$ 739,321</b>	<b>\$ 418,212</b>	<b>\$ 92,437</b>	<b>\$ 27,694,048</b>

## TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

### 11. Tangible capital assets (continued):

	2012							
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	Total
<b>Cost:</b>								
Balance, beginning of year	\$ 510,917	\$ 1,012,464	\$ 9,593,176	\$ 24,369,953	\$ 1,573,198	\$ 1,030,454	\$ 2,596,825	\$ 40,686,987
Additions	-	-	384,073	120,421	25,359	166,122	(237,924)	458,051
<b>Balance, end of year</b>	<b>510,917</b>	<b>1,012,464</b>	<b>9,977,249</b>	<b>24,490,374</b>	<b>1,598,557</b>	<b>1,196,576</b>	<b>2,358,901</b>	<b>41,145,038</b>
<b>Accumulated amortization:</b>								
Balance, beginning of year	-	805,259	2,952,911	6,609,817	865,524	697,411	-	11,930,922
Amortization expense	-	23,791	195,706	554,729	59,768	44,022	-	878,016
<b>Balance, end of year</b>	<b>-</b>	<b>829,050</b>	<b>3,148,617</b>	<b>7,164,546</b>	<b>925,292</b>	<b>741,433</b>	<b>-</b>	<b>12,808,938</b>
<b>Net book value, end of year</b>	<b>\$ 510,917</b>	<b>\$ 183,414</b>	<b>\$ 6,828,632</b>	<b>\$ 17,325,828</b>	<b>\$ 673,265</b>	<b>\$ 455,143</b>	<b>\$ 2,358,901</b>	<b>\$ 28,336,100</b>

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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## 11. Tangible capital assets (continued):

### a) Assets under construction

Assets under construction having a value of \$92,437 (2012 - \$2,358,901) have not been amortized. Amortization of these assets will commence when the asset is put into service.

### b) Contributed tangible capital assets

No contributed tangible capital assets have been recognized during the year (2012 - \$nil).

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

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

### d) Works of art and historical treasures

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



# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 12. Accumulated surplus:

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

	2013	2012
Restricted surplus	\$ 2,356,136	\$ 3,464,946
Invested in tangible capital assets	25,428,872	26,002,478
Unrestricted surplus	2,229,026	696,094
	<u>\$ 30,014,034</u>	<u>\$ 30,163,518</u>

## 13. 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 10.43 per cent (2012 – 9.91 percent) of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 14.47 percent (2012 – 13.74 percent) thereafter. Employees of the Town are required to make current service contributions of 9.43 per cent (2012 – 8.91 per cent) of pensionable salary up to YMPE, and 13.47 percent (2012 – 12.74 per cent) thereafter.

Total current service contributions by the Town to the LAPP in 2013 were \$57,207 (2012 - \$72,967). Total service contributions by the employees of the Town to the LAPP in 2013 were \$52,125 (2012 - \$66,244).

As stated in their 2012 Annual Report, LAPP serves 223,643 members (2011 – 214,328) and 428 employers (2011 – 423). It is financed by employer and employee contributions and investment earnings of the LAPP fund. At December 31, 2012, the Plan reported an actuarial deficiency of \$4.98 billion (2011 – \$4.64 billion). The Local Authorities Pension Plan contribution rates will increase by a total of 1.10 per cent of pensionable salary in 2014 (2013 – 1.04 per cent).

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 14. Net municipal taxes:

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

	Budget (Note 21)	2013	2012
<b>Taxation</b>			
Real property taxes	\$ 1,397,812	\$ 1,388,160	\$ 1,394,160
Linear property taxes	20,757	20,756	21,276
Government grants in place of property taxes	20,631	20,631	20,410
	<u>1,439,200</u>	<u>1,429,547</u>	<u>1,435,846</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	252,270	257,688	252,269
Mackenzie Housing Management Board	14,655	14,655	23,054
	<u>266,925</u>	<u>272,343</u>	<u>275,323</u>
<b>Net municipal taxes</b>	<u>\$ 1,172,275</u>	<u>\$ 1,157,204</u>	<u>\$ 1,160,523</u>

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 15. Government transfers:

	Budget	2013	2012
	(Note 21)		
<b>Transfers for operating</b>			
Provincial government	\$ 488,569	\$ 148,176	\$ 118,218
Federal government	3,800	2,500	3,816
Other local government	792,700	792,787	792,700
	1,285,069	943,463	914,734
<b>Transfers for capital</b>			
Provincial government	230,698	92,436	146,115
Federal government	240,000	-	8,757
	470,698	92,436	154,872
<b>Total government transfers</b>	\$ 1,775,767	\$ 1,035,899	\$ 1,069,606

## 16. Expenses by object:

	Budget	2013	2012
	(Note 21)		
Salaries, wages and benefits	\$ 1,326,814	\$ 1,240,946	\$ 1,231,187
Contracted and general services	2,364,622	1,561,955	1,431,277
Materials, goods and utilities	1,506,463	1,270,616	1,069,036
Transfers to local boards and agencies	276,925	4,000	28,654
Bank charges and interest	5,000	24,561	16,787
Interest on long-term debt	141,125	116,635	130,592
Amortization	-	912,868	878,016
	\$ 5,620,949	\$ 5,131,581	\$ 4,785,549

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 17. Salary and benefits disclosure:

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

	Salary	Benefits	2013 Total	2012 Total
Mayor / Councillor Langford	\$ 14,800	\$ -	\$ 14,800	\$ 14,550
Deputy Mayor / Councillor Olorenshaw	11,400	-	11,400	6,600
Councillor - Bateman	5,400	-	5,400	6,000
Councillor - Farris	7,400	-	7,400	6,000
Councillor - Smith	1,600	-	1,600	-
Ex-Councillor - Pardy	3,200	-	3,200	7,600
Chief Administrative Officer - current	53,556	7,439	60,995	-
Chief Administrative Officer - previous	53,311	5,403	58,714	134,519
	\$ 150,667	\$ 12,842	\$ 163,509	\$ 175,269

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

Benefits include contributions or payments made on behalf of employees including pension, health care, dental coverage, and directors 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, 2013

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### 19. Financial instruments:

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

### 20. 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, 2013

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## 20. 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, 2013

## 20. Segmented information (continued):

	2013							
	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,157,204	\$ 1,157,204
User fees and sales of goods	34,910	84,240	2,117,662	-	10,535	6,398	530	2,254,275
Government transfers	-	-	-	-	25,677	121,456	888,766	1,035,899
Rental income	-	65,710	-	2,785	10,750	79,346	3,475	162,066
Franchise and concession contracts	-	-	-	-	-	-	91,456	91,456
Penalties and costs of taxes	-	-	-	-	-	-	9,946	9,946
Licenses and permits	4,936	-	-	5,120	-	-	-	10,056
Investment income	-	-	-	-	-	-	111,892	111,892
Other	12,925	15,967	8,366	51,006	4,200	53,667	3,172	149,303
<b>Total revenues</b>	<b>52,771</b>	<b>165,917</b>	<b>2,126,028</b>	<b>58,911</b>	<b>51,162</b>	<b>260,867</b>	<b>2,266,441</b>	<b>4,982,097</b>
<b>Expenses:</b>								
Salaries, wages and benefits	115,086	226,836	257,354	27,625	1,015	171,131	441,899	1,240,946
Contracted and general services	40,337	489,056	496,051	53,748	11,807	187,436	283,520	1,561,955
Materials, goods and utilities	52,240	224,273	734,746	337	36,846	174,347	47,827	1,270,616
Transfers to local boards and agencies	-	-	-	-	-	3,000	1,000	4,000
Bank charges and interest	-	-	-	-	-	-	24,561	24,561
Interest on long-term debt	-	-	91,784	-	-	24,851	-	116,635
Amortization	27,287	202,415	497,180	-	14,086	122,436	49,464	912,868
<b>Total expenses</b>	<b>234,950</b>	<b>1,142,580</b>	<b>2,077,115</b>	<b>81,710</b>	<b>63,754</b>	<b>683,201</b>	<b>848,271</b>	<b>5,131,581</b>
<b>Annual surplus (deficit)</b>	<b>\$ (182,179)</b>	<b>\$ (976,663)</b>	<b>\$ 48,913</b>	<b>\$ (22,799)</b>	<b>\$ (12,592)</b>	<b>\$ (422,334)</b>	<b>\$ 1,418,170</b>	<b>\$ (149,484)</b>

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

## 20. Segmented information (continued):

	2012							
	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,160,523	\$ 1,160,523
User fees and sales of goods	152,515	104,979	2,097,119	380	5,704	5,665	1,179	2,367,541
Government transfers	15,600	-	11,892	-	26,993	107,425	907,696	1,069,606
Rental income	-	64,998	-	7,435	9,700	83,765	3,815	169,713
Franchise and concession contracts	-	-	-	-	-	-	87,576	87,576
Penalties and costs of taxes	-	-	-	-	-	-	48,114	48,114
Licenses and permits	33,525	-	-	2,575	-	-	-	36,100
Investment income	-	-	-	-	-	-	111,303	111,303
Other	-	-	8,035	-	6,850	6,548	79,344	100,777
<b>Total revenues</b>	<b>201,640</b>	<b>169,977</b>	<b>2,117,046</b>	<b>10,390</b>	<b>49,247</b>	<b>203,403</b>	<b>2,399,550</b>	<b>5,151,253</b>
<b>Expenses:</b>								
Salaries, wages and benefits	211,049	224,279	303,699	18,386	7,436	159,353	306,985	1,231,187
Contracted and general services	35,023	571,945	431,849	54,446	8,258	102,559	227,197	1,431,277
Materials, goods and utilities	60,119	177,281	578,971	140	35,758	168,453	48,314	1,069,036
Transfers to local boards and agencies	-	-	-	5,000	-	3,000	20,654	28,654
Bank charges and interest	-	-	-	-	-	-	16,787	16,787
Interest on long-term debt	-	-	103,039	-	-	27,553	-	130,592
Amortization	32,736	196,783	479,342	-	14,086	116,107	38,962	878,016
<b>Total expenses</b>	<b>338,927</b>	<b>1,170,288</b>	<b>1,896,900</b>	<b>77,972</b>	<b>65,538</b>	<b>577,025</b>	<b>658,899</b>	<b>4,785,549</b>
<b>Annual surplus (deficit)</b>	<b>\$ (137,287)</b>	<b>\$ (1,000,311)</b>	<b>\$ 220,146</b>	<b>\$ (67,582)</b>	<b>\$ (16,291)</b>	<b>\$ (373,622)</b>	<b>\$ 1,740,651</b>	<b>\$ 365,704</b>



# TOWN OF RAINBOW LAKE

## Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

### 21. Budget:

The budget data presented in these consolidated financial statements of the Town include:

The 2013 operating budget approved by Council on November 19, 2012 and the capital budget approved by Council on December 19, 2012

### 22. Change in accounting policy:

As a result of the adoption of PS 3510, *Tax Revenue*, the Town changed its accounting policy relating to the recognition of local improvements. Local improvement projects are completed on a cost-share basis between the Town and the property owners. Previously, the revenue for the property owners' share of the local improvement was recognized as it was billed over an agreed upon repayment plan period of 15 years. Commencing in 2013, the local improvement revenue and receivable is recognized for the full amount of the property owner's share of the cost in the year the local improvement project is complete. This accounting policy more closely reflects the underlying nature of the transaction with the property owners. This change has been applied retrospectively with restatement of prior period results.

The following table outlines the adjustments made to the 2012 financial statements to reflect the above change in accounting policy.

Adjustment to opening accumulated surplus	2012
As previously reported	\$ 29,721,467
Restatement of local improvements revenue	76,347
As restated	\$ 29,797,814

Adjustment to opening net financial assets	2012
As previously reported	\$ 803,088
Restatement of local improvements revenue	76,347
As restated	\$ 879,435

Adjustment to annual surplus	2012
As previously reported	\$ 374,187
Local improvements previously reported as other income	(8,483)
As restated	\$ 365,704

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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## 22. Change in accounting policy (continued):

Addition of local improvements receivable		2012
As previously reported	\$	-
Opening balance – local improvements receivable as restated		76,347
Principal repayments received		(8,483)
As restated	\$	67,864

## 23. Comparative information:

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