

Consolidated Financial Statements of

# **TOWN OF RAINBOW LAKE**

Year ended December 31, 2014

# **TOWN OF RAINBOW LAKE**

## **Consolidated Financial Statements**

Year ended December 31, 2014

## **Consolidated Financial Statements**

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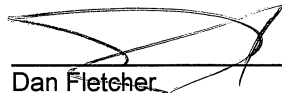
## **Management's Responsibility for the Consolidated Financial Statements**

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

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

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

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



Dan Fletcher  
Chief Administrative Officer



Karen Huff  
Chief Financial Officer

April 20, 2015



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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, 2014, the consolidated statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

### *Auditors' Responsibility*

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

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

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



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town of Rainbow Lake as at December 31, 2014, 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 20, 2015  
Edmonton, Canada

# TOWN OF RAINBOW LAKE

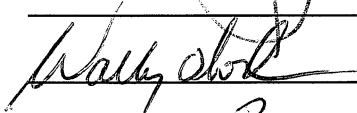
## Consolidated Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Financial assets:		
Cash and temporary investments	\$ 1,120,505	\$ -
Accounts receivable (note 3)	863,804	614,129
Land held for resale	-	178,254
Investments (note 4)	4,384,056	4,899,003
	6,368,365	5,691,386
Liabilities:		
Cheques issued in excess of funds on deposit	-	5,592
Accounts payable and accrued liabilities	643,487	368,621
Deposit liabilities (note 5)	89,482	97,225
Deferred revenue (note 6)	567,893	697,838
Wages and benefits payable	7,628	42,839
Long-term debt (note 7)	2,200,516	2,386,097
	3,509,006	3,598,212
Net financial assets	2,859,359	2,093,174
Non-financial assets:		
Tangible capital assets (note 9)	27,859,098	27,694,048
Inventories of supplies	12,920	14,434
Prepaid expenses	199,956	212,378
	28,071,974	27,920,860
Accumulated surplus (note 10)	\$ 30,931,333	\$ 30,014,034

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

Approved by

  
20/05/2015

Mayor

Councillor

# TOWN OF RAINBOW LAKE

## Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2014, with comparative information for 2013

	Budget (Note 18)	2014	2013
Revenue:			
Net municipal taxes (note 12)	\$ 1,329,153	\$ 1,310,429	\$ 1,157,204
User fees and sales of goods	2,576,727	2,584,190	2,254,275
Government transfers - operating (note 13)	1,275,400	1,071,824	943,463
Rental income	200,028	145,197	162,066
Franchise and concession contracts	85,000	103,272	91,456
Penalties and costs of taxes	20,000	53,465	9,946
Licenses and permits	38,000	17,669	10,056
Investment income	75,850	110,666	111,892
Other	28,000	71,404	149,303
Gain on disposal of tangible capital assets	-	35,803	-
	5,628,158	5,503,919	4,889,661
Expenses (note 14):			
Legislative	89,350	66,345	69,176
Administration	486,370	547,235	592,482
Protective services	347,541	250,048	234,950
Common services	390,065	230,736	283,104
Transportation services	602,480	474,628	400,096
Airport services	445,740	354,841	459,380
Water supply and distribution	723,415	1,047,668	1,131,797
Waste management	249,831	207,538	203,635
Family and community support	79,525	96,343	63,753
Planning and development	64,915	64,862	81,710
Subdivision land development	24,576	83,761	-
Housing rentals	157,550	166,392	186,614
Recreation, parks and library services	536,682	630,690	683,201
Natural gas supply and distribution	888,260	875,715	589,430
Cable and internet services	145,690	158,532	152,253
	5,231,990	5,255,334	5,131,581
Annual surplus (deficit) before other	396,168	248,585	(241,920)
Other:			
Government transfers - capital (note 13)	2,190,383	668,714	92,436
Annual surplus (deficit)	2,586,551	917,299	(149,484)
Accumulated surplus, beginning of year	30,014,034	30,014,034	30,163,518
Accumulated surplus, end of year	\$ 32,600,585	\$ 30,931,333	\$ 30,014,034

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

# TOWN OF RAINBOW LAKE

## Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2014, with comparative information for 2013

	Budget (Note 18)	2014	2013
Annual surplus (deficit)	\$ 2,586,551	\$ 917,299	\$ (149,484)
Acquisition of tangible capital assets	(2,442,391)	(1,122,196)	(270,816)
Proceeds on disposal of tangible capital assets	-	41,682	-
Amortization of tangible capital assets	-	951,267	912,868
Gain on disposal of tangible capital assets	-	(35,803)	-
	144,160	752,249	492,568
Consumption of inventories of supplies	-	1,514	-
Net (acquisition), use of prepaid expenses	-	12,422	(47,398)
	-	13,936	(47,398)
Change in net financial assets	144,160	766,185	445,170
Net financial assets, beginning of year	2,093,174	2,093,174	1,648,004
Net financial assets, end of year	\$ 2,237,334	\$ 2,859,359	\$ 2,093,174

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, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operations activities:		
Annual surplus (deficit)	\$ 917,299	\$ (149,484)
Items not involving cash:		
Amortization of tangible capital assets	951,267	912,868
Amortization of premium on investments	24,025	24,204
Gain on sale of investments	-	(10,713)
Gain on disposal of tangible capital assets	(35,803)	-
Change in non-cash assets and liabilities:		
Accounts receivable	(249,675)	271,713
Land held for resale	178,254	22,231
Accounts payable and accrued liabilities	274,866	(98,892)
Deposit liabilities	(7,743)	7,930
Deferred revenue	(129,945)	(188,006)
Wages and benefits payable	(35,211)	(13,332)
Inventories of supplies	1,514	-
Prepaid expenses	12,422	(47,398)
Net change in cash from operating activities	1,901,270	731,121
Capital activities:		
Acquisition of tangible capital assets	(1,122,196)	(270,816)
Proceeds from disposal of tangible capital assets	41,682	-
Net change in cash from capital activities	(1,080,514)	(270,816)
Investing activities:		
Purchase of investments	(619,078)	(1,914,467)
Sale of investments	1,110,000	1,450,000
Net change in cash from investing activities	490,922	(464,467)
Financing activities:		
Long-term debt repaid	(185,581)	(177,244)
Net change in cash from financing activities	(185,581)	(177,244)
Net change in cash and temporary investments	1,126,097	(181,406)
Cash and temporary investments, (cheques issued in excess of funds on deposit, at beginning of year	(5,592)	175,814
Cash and temporary investments, (cheques issued in excess of funds on deposit), at end of year	\$ 1,120,505	\$ (5,592)
Cash paid for interest	\$ 256,138	\$ 141,757
Cash received from interest	136,791	125,407

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

# TOWN OF RAINBOW LAKE

## Notes to Consolidated Financial Statements

Year ended December 31, 2014

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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) 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 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, 2014

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## 2. Significant accounting policies (continued):

### (a) Reporting entity (continued):

#### iv) Trust funds

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

### (b) Basis of accounting:

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

### (c) Government transfers:

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

### (d) Tax revenue:

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

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

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

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

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

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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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.

### (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, 2014

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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	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, 2014

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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 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.

### (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. In addition, management is required to make estimates of the useful lives of tangible capital assets. Actual results could differ from those estimates.

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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## 2. Significant accounting policies (continued):

### (I) Future accounting standard pronouncements:

The following summarizes upcoming changes to PSAS. In 2015, 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. The town has begun the process of reviewing policies, procedures, and systems to ensure consistent and accurate identification and estimation of liabilities associated with contaminated sites. 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

PS 2601, *Foreign Currency Translation*, requires that monetary assets and liabilities denominated in a foreign currency and non-monetary items included in the fair value category, denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. 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, 2014

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## 2. Significant accounting policies (continued):

### (l) Future accounting standard pronouncements (continued):

#### 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.

#### 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.

#### vi) Related Party Disclosures:

PS 2200, *Related Party Disclosures*, requires the disclosure of the effect of financially material transactions between related parties. This standard is applicable for fiscal years beginning on or after April 1, 2017.

#### vii) Inter-Entity Transactions:

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



# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

## 3. Accounts receivable:

	2014	2013
Property taxes receivable	\$ 278,869	\$ 148,710
Local improvements receivable	50,898	59,381
Government transfers receivable	222,098	-
Utility receivable	214,970	231,747
Other receivables	98,815	176,645
Allowance for doubtful accounts	(1,846)	(2,354)
	<b>\$ 863,804</b>	<b>\$ 614,129</b>

Property taxes receivable include \$87,621 (2013 - \$47,363) of balances outstanding for greater than one year.

## 4. Investments:

	2014		2013	
	Cost	Market value	Cost	Market value
Short-term investments and deposits	\$ 444,694	\$ 444,694	\$ 945,702	\$ 945,702
Corporate, government and government guaranteed bonds	3,939,251	4,021,441	3,953,190	3,959,371
Gas Alberta Inc., 111 Class A shares, at cost	111	111	111	111
	<b>\$ 4,384,056</b>	<b>\$ 4,466,246</b>	<b>\$ 4,899,003</b>	<b>\$ 4,905,184</b>

Short-term investments and deposits have effective interest rates of 1.50% (2013 - 1.50%). Corporate, government and government guaranteed bonds have effective interest rates ranging from 2.00% (2013 - 2.00%) to 4.50% (2013 - 4.50%) with maturity dates ranging from July 2015 (2013 - July 2014) to March 2022 (2013 - March 2022). The Town intends to hold these securities until maturity.

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

## 5. Deposit liabilities:

	2014	2013
Utility deposits	\$ 60,682	\$ 66,120
Land deposits	6,400	6,400
Damage deposits	22,400	22,400
Other deposits	-	2,305
	<b>\$ 89,482</b>	<b>\$ 97,225</b>

## 6. Deferred revenue:

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

	2014	2013
<b>Provincial government transfers:</b>		
Basic Municipal Transportation Grant	\$ 280,628	\$ 178,661
Regional Collaboration Conditional Grant	167,625	-
Alberta Municipal Infrastructure Program	89,843	89,397
FireSmart Grant	28,887	28,743
Municipal Grants - Other	910	905
Municipal Sustainability Initiative	-	309,711
New Deal for Cities and Communities	-	90,421
	<b>\$ 567,893</b>	<b>\$ 697,838</b>

Continuity of deferred revenue is as follows:

	2014	2013
Balance at beginning of year	\$ 697,838	\$ 885,844
Government transfers received during the year	1,607,104	843,464
Interest earned	3,489	4,429
Government transfers recognized during the year	(1,740,538)	(1,035,899)
Balance, end of year	<b>\$ 567,893</b>	<b>\$ 697,838</b>

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

## 7. Long-term debt:

	2014	2013
Tax supported debentures	\$ 412,244	\$ 483,911
Utility supported debentures	1,788,272	1,902,186
	\$ 2,200,516	\$ 2,386,097

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
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
2019	233,535	60,904	294,439
Thereafter	1,133,154	197,561	1,330,715
	\$ 2,200,516	\$ 602,394	\$ 2,802,910

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

## 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:

	2014	2013
Total debt limit	\$ 8,255,879	\$ 7,334,492
Total debt	<u>2,200,516</u>	<u>2,386,097</u>
Amount by which debt limit unused	6,055,363	4,948,395
Percentage used (%)	26.65%	32.53%
Debt servicing limit	1,375,980	1,222,415
Debt servicing	<u>294,439</u>	<u>294,439</u>
Amount by which debt servicing limit unused	1,081,541	927,976
Percentage used (%)	21.40%	24.09%

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, 2014

## 9. Tangible capital assets :

		2014							
		Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	Total
<b>Cost:</b>									
Balance, beginning of year	\$	510,917	\$ 1,088,465	\$ 9,977,249	\$ 26,815,824	\$ 1,734,386	\$ 1,196,576	\$ 92,437	\$ 41,415,854
Additions		178,254	-	786,609	104,802	90,198	54,770	(92,437)	1,122,196
Disposals		-	-	-	-	(42,000)	(121,451)	-	(163,451)
<b>Balance, end of year</b>		<b>689,171</b>	<b>1,088,465</b>	<b>10,763,858</b>	<b>26,920,626</b>	<b>1,782,584</b>	<b>1,129,895</b>	<b>-</b>	<b>42,374,599</b>
<b>Accumulated amortization:</b>									
Balance, beginning of year		-	855,375	3,355,890	7,737,112	995,065	778,364	-	13,721,806
Disposals		-	-	-	-	(36,121)	(121,451)	-	(157,572)
Amortization		-	28,858	218,304	587,575	76,859	39,671	-	951,267
<b>Balance, end of year</b>		<b>-</b>	<b>884,233</b>	<b>3,574,194</b>	<b>8,324,687</b>	<b>1,035,803</b>	<b>696,584</b>	<b>-</b>	<b>14,515,501</b>
<b>Net book value, end of year</b>									
	\$	689,171	\$ 204,232	\$ 7,189,664	\$ 18,595,939	\$ 746,781	\$ 433,311	\$ -	\$ 27,859,098

## Notes to Consolidated Financial Statements (continued)

**9. Tangible capital assets (continued):**

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# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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## 9. Tangible capital assets (continued):

### a) Assets under construction

Assets under construction having a value of \$ nil (2013 - \$92,437) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

### b) Contributed tangible capital assets

No contributed tangible capital assets have been recognized during the year (2013 - \$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, 2014

### 10. Accumulated surplus:

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

	2014	2013
Restricted surplus	\$ 2,346,136	\$ 2,477,057
Invested in tangible capital assets	25,658,582	25,307,951
Unrestricted surplus	2,926,615	2,229,026
	<u>\$ 30,931,333</u>	<u>\$ 30,014,034</u>

### 11. Local authorities pension plan:

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

The Town was required to make current service contributions to the Plan of 11.39 per cent (2013 - 10.43 percent) of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 15.84 percent (2013 - 14.47 percent) thereafter. Employees of the Town are required to make current service contributions of 10.39 per cent (2013 - 9.43 per cent) of pensionable salary up to YMPE, and 14.84 percent (2013 - 13.47 per cent) thereafter.

Total current service contributions by the Town to the LAPP in 2014 were \$56,747.72 (2013 - \$57,207). Total service contributions by the employees of the Town to the LAPP in 2014 were \$52,190.64 (2013 - \$52,125).

As at December 31, 2013, the LAPP disclosed an actuarial deficiency of \$4.86 billion (2012 - \$4.98 billion). This amount was not specifically allocated to the participating government organizations. The 2014 actuarial balance was not available at the date these financial statements were released.



# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

## 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)	2014	2013
<b>Taxation</b>			
Real property taxes	\$ 1,544,434	\$ 1,537,528	\$ 1,388,160
Linear property taxes	22,100	23,762	20,756
Government grants in place of property taxes	20,825	22,345	20,631
	<u>1,587,359</u>	<u>1,583,635</u>	<u>1,429,547</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	254,946	254,946	257,688
Mackenzie Housing Management Board	3,260	18,260	14,655
	<u>258,206</u>	<u>273,206</u>	<u>272,343</u>
<b>Net municipal taxes</b>	<b>\$ 1,329,153</b>	<b>\$ 1,310,429</b>	<b>\$ 1,157,204</b>

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

## 13. Government transfers:

	Budget (Note 18)	2014	2013
<b>Transfers for operating</b>			
Provincial government	\$ 475,600	\$ 282,943	\$ 148,176
Federal government	3,800	3,257	2,500
Other local government	796,000	785,624	792,787
	1,275,400	1,071,824	943,463
<b>Transfers for capital</b>			
Provincial government	570,783	668,714	92,436
Federal government	1,619,600	-	-
	2,190,383	668,714	92,436
<b>Total government transfers</b>	<b>\$ 3,465,783</b>	<b>\$ 1,740,538</b>	<b>\$ 1,035,899</b>

## 14. Expenses by object:

	Budget (Note 18)	2014	2013
Salaries, wages and benefits	\$ 1,357,432	\$ 1,174,499	\$ 1,240,946
Contracted and general services	2,306,662	1,545,500	1,561,955
Materials, goods and utilities	1,397,711	1,433,724	1,270,616
Transfers to local boards and agencies	12,000	17,500	4,000
Bank charges and interest	22,000	25,151	24,561
Interest on long-term debt	136,185	107,693	116,635
Amortization of tangible capital assets	-	951,267	912,868
	\$ 5,231,990	\$ 5,255,334	\$ 5,131,581

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

## 15. Salary and benefits disclosure:

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

	Salary	Benefits	2014 Total	2013 Total
Mayor / Councillor Langford	\$ 15,200	\$ -	\$ 15,200	\$ 14,800
Deputy Mayor / Councillor Olorenshaw	9,600	-	9,600	11,400
Councillor - Bateman	3,200	-	3,200	5,400
Councillor - Farris	7,200	-	7,200	7,400
Councillor - Smith	4,800	-	4,800	1,600
Ex-Councillor – Pardy	-	-	-	3,200
Chief Administrative Officer - current	114,358	25,646	140,004	60,995
Chief Administrative Officer - previous	-	-	-	58,714
	\$ 154,358	\$ 25,646	\$ 180,004	\$ 163,509

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, 2014

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## 16. 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.

## 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, 2014

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## 17. Segmented information (continued):

### iv) Planning and Development:

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

### v) Family and Community Support:

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

### vi) Recreation, Parks and Library Services:

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

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

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

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

## 17. Segmented information (continued):

	2014						
	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,310,429
User fees and sales of goods	187,050	75,301	2,300,650	-	16,473	3,620	2,584,190
Government transfers - operating	-	-	141,473	45,938	26,434	-	1,071,824
Rental income	-	58,477	-	4,560	10,500	68,370	145,197
Franchise and concession contracts	-	-	-	-	-	-	103,272
Penalties and costs of taxes	-	-	-	-	-	-	53,465
Licenses and permits	13,719	-	-	3,950	-	-	17,669
Investment income	-	-	-	-	-	-	110,666
Other	11,786	-	9,839	-	4,700	4,912	71,404
Gain on disposal of tangible capital assets	-	28,803	-	-	-	-	35,803
	212,555	162,581	2,451,962	54,448	58,107	76,902	5,503,919
<b>Expenses:</b>							
Salaries, wages and benefits	142,643	219,468	209,282	26,575	-	170,902	1,174,499
Contracted and general services	49,541	406,086	609,878	114,713	9,823	126,725	1,545,500
Materials, goods and utilities	27,579	230,475	868,413	2,335	67,434	177,490	1,433,724
Transfers to local boards and agencies	-	-	-	5,000	5,000	6,000	17,500
Bank charges and interest	-	-	-	-	-	-	25,151
Interest on long-term debt	-	-	86,139	-	-	21,554	107,693
Amortization of tangible capital assets	30,285	204,176	515,741	-	14,086	128,019	951,267
	250,048	1,060,205	2,289,453	148,623	96,343	630,690	5,255,334
<b>Other:</b>							
Government transfers - capital	-	80,492	-	-	-	520,788	668,714
	\$ (37,493)	\$ (817,132)	\$ 162,509	\$ (94,175)	\$ (38,236)	\$ (33,000)	\$ 1,774,826
<b>Annual surplus (deficit)</b>	\$	\$	\$	\$	\$	\$	\$ 917,299

# TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

## 17. 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 - operating	-	-	-	-	25,677	29,020	888,766	943,463
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
	52,771	165,917	2,126,028	58,911	51,162	168,431	2,266,441	4,889,661
<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 of tangible capital assets	27,287	202,415	497,180	-	14,086	122,436	49,464	912,868
	234,950	1,142,580	2,077,115	81,710	63,754	683,201	848,271	5,131,581
<b>Other:</b>								
Government transfers - capital	-	-	-	-	-	92,436	-	92,436
<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, 2014

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## **18. Budget:**

The budget data presented in these consolidated financial statements of the Town include the 2014 operating budget, excluding budgeted amortization of tangible capital assets as management does not include this expense within their budget, and the capital budget approved by Council on April 9, 2014.

## **19. Comparative information:**

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