

Consolidated Financial Statements of

TOWN OF RAINBOW LAKE

Year ended December 31, 2016

TOWN OF RAINBOW LAKE

Consolidated Financial Statements

Year ended December 31, 2016

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.



Susie Dziwenka
Chief Administrative Officer

April 18, 2017



KPMG LLP
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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, 2016, 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, 2016, and its consolidated results of operations, its consolidated changes in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

April 18, 2017
Edmonton, Canada

TOWN OF RAINBOW LAKE

Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial assets:		
Cash	\$ 985,876	\$ 1,495,193
Accounts receivable (note 3)	447,133	640,490
Investments (note 4)	6,071,956	4,468,698
	7,504,965	6,604,381
Liabilities:		
Accounts payable and accrued liabilities	288,764	258,834
Deposit liabilities (note 5)	71,096	75,696
Deferred revenue (note 6)	960,526	394,277
Long-term debt (notes 7 and 8)	1,802,353	2,006,205
	3,122,739	2,735,012
Net financial assets	4,382,226	3,869,369
Non-financial assets:		
Tangible capital assets (note 9)	34,283,449	35,323,824
Inventories of supplies	13,525	13,951
Prepaid expenses	146,826	143,134
	34,443,800	35,480,909
Accumulated surplus (note 10)	\$ 38,826,026	\$ 39,350,278

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, 2016, with comparative information for 2015

	Budget (Note 18)	2016	2015
Revenue:			
Net municipal taxes (note 12)	\$ 1,387,741	\$ 1,382,643	\$ 1,350,905
User fees and sales of goods	1,990,457	1,683,756	2,076,017
Government transfers for operating (note 13)	1,519,116	1,097,640	1,137,441
Rental income	138,342	111,120	154,469
Franchise and concession contracts	180,000	158,232	172,951
Penalties and costs of taxes	70,000	24,923	76,881
Licenses and permits	17,500	8,441	12,086
Investment income	118,350	105,945	109,297
Other	63,868	70,001	45,387
Gain on sale of investments	-	17,431	-
Loss on disposal of tangible capital assets	-	-	(55,542)
	5,485,374	4,660,132	5,079,892
Expenses (note 14):			
Legislative	92,365	63,563	57,968
Administration	569,957	620,112	939,436
Protective services	616,212	515,346	265,671
Common services	286,982	333,198	234,674
Transportation services	535,253	394,732	500,316
Airport services	383,045	583,451	475,068
Water supply and distribution	867,793	951,932	979,915
Waste management	209,390	202,635	197,473
Family and community support	129,187	147,393	64,135
Planning and development	85,228	71,003	68,978
Subdivision land development	25,527	26,502	191,518
Housing rentals	197,747	150,651	132,038
Recreation, parks and library services	558,366	695,444	603,472
Natural gas supply and distribution	610,100	424,985	462,427
Cable and internet services	142,042	113,544	149,356
	5,309,194	5,294,491	5,322,445
Annual surplus (deficit) before other	176,180	(634,359)	(242,553)
Other:			
Contributions of tangible capital assets	-	-	8,456,474
Government transfers - capital (note 13)	250,000	110,107	205,024
Annual surplus (deficit)	426,180	(524,252)	8,418,945
Accumulated surplus, beginning of year	39,350,278	39,350,278	30,931,333
Accumulated surplus, end of year	\$ 39,776,458	\$ 38,826,026	\$ 39,350,278

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, 2016, with comparative information for 2015

	Budget (Note 18)	2016	2015
Annual surplus (deficit)	\$ 426,180	\$ (524,252)	\$ 8,418,945
Acquisition of tangible capital assets	(213,168)	(176,570)	(219,214)
Contributions of tangible capital assets	-	-	(8,456,474)
Proceeds on disposal of tangible capital assets	-	-	54,160
Amortization of tangible capital assets	-	1,216,945	1,101,260
Loss on disposal of tangible capital assets	-	-	55,542
	213,012	516,123	954,219
Net (acquisition) consumption of inventories of supplies	-	426	(1,031)
Net use (acquisition) of prepaid expenses	-	(3,692)	56,822
	-	(3,266)	55,791
Change in net financial assets	213,012	512,857	1,010,010
Net financial assets, beginning of year	3,869,369	3,869,369	2,859,359
Net financial assets, end of year	\$ 4,082,381	\$ 4,382,226	\$ 3,869,369

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, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations activities:		
Annual surplus (deficit)	\$ (524,252)	\$ 8,418,945
Items not involving cash:		
Amortization of tangible capital assets	1,216,945	1,101,260
Amortization of premium on investments	16,878	23,888
Contributions of tangible capital assets	-	(8,456,474)
Gain on sale of investments	(17,431)	
Loss on disposal of tangible capital assets	-	55,542
Change in non-cash assets and liabilities:		
Accounts receivable	193,357	223,314
Accounts payable and accrued liabilities	29,930	(392,281)
Deposit liabilities	(4,600)	(13,786)
Deferred revenue	566,249	(173,616)
Inventories of supplies	426	(1,031)
Prepaid expenses	(3,692)	56,822
Net change in cash from operating activities	1,473,810	842,583
Capital activities:		
Acquisition of tangible capital assets	(176,570)	(219,214)
Proceeds from disposal of tangible capital assets	-	54,160
Net change in cash from capital activities	(176,570)	(165,054)
Investing activities:		
Purchase of investments	(2,102,922)	(108,530)
Sale of investments	500,217	-
Net change in cash from investing activities	(1,602,705)	(108,530)
Financing activities:		
Long-term debt repaid	(203,852)	(194,311)
Net change in cash from financing activities	(203,852)	(194,311)
Net change in cash	(509,317)	374,688
Cash, at beginning of year	1,495,193	1,120,505
Cash, at end of year	\$ 985,876	\$ 1,495,193
Cash paid for interest	\$ 113,974	\$ 244,376
Cash received from interest	132,407	132,489

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, 2016

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

iii) Mackenzie Regional Waste Management Commission

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

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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, 2016

2. Significant accounting policies (continued):

(f) Local improvements:

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

(g) Deferred revenue:

Deferred revenue represents government transfers, contributions and other amounts received from third parties pursuant to legislation, regulation or agreement that may only be used for certain programs, in the completion of specific work or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year when the related expense is incurred, services performed or the tangible capital assets are acquired.

(h) Investments:

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

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

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

2. Significant accounting policies (continued):

(i) Non-financial assets:

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

i) Tangible capital assets

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

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

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

ii) Contributions of tangible capital assets

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

iii) Works of art and cultural and historic assets

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

iv) Interest capitalization

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

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

2. Significant accounting policies (continued):

(i) Non-financial assets (continued):

v) Inventories of supplies

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

(j) Contaminated sites liabilities:

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

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

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

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Significant estimates include assumptions used to estimate the provision for doubtful accounts receivable, the fair value of investments, the fair value and useful lives of tangible capital assets, the fair value of contributed tangible capital assets, the measurement of accrued liabilities and the measurement of the liability for contaminated sites. Actual results could differ from those estimates.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

2. Significant accounting policies (continued):

(m) Future accounting standard pronouncements:

The following summarizes upcoming changes to PSAS. In 2017, 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) Introduction to Public Sector Accounting Standards

The Public Sector Accounting (PSA) Handbook was previously written primarily to address the financial reporting needs of governments in Canada. With the broadened scope of the PSA Handbook to include government organizations that previously reported under Part V of the CPA Handbook, it was necessary to update the introduction to clarify the applicability of the PSA Handbook to various public sector entities. The new introduction is applicable for fiscal years beginning on or after January 1, 2017.

ii) Assets

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

iii) Contingent Assets

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

iv) Contractual Rights

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

v) Inter-entity Transactions

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

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

2. Significant accounting policies (continued):

(m) Future accounting standard pronouncements (continued):

vi) Related Party Disclosures

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

vii) Restructuring Transactions

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

viii) 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, 2019.

ix) 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, 2019.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

2. Significant accounting policies (continued):

(m) Future accounting standard pronouncements (continued):

x) 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, 2019.

xi) Portfolio Investments

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

3. Accounts receivable:

	2016	2015
Property Taxes		
Property taxes receivable	\$ 415,401	\$ 400,962
Provision for non-collection	(352,382)	(351,664)
	63,019	49,298
Other Receivables		
Local improvements receivable	33,932	42,415
Government transfers receivable	-	185,934
Utility receivable	179,811	171,607
Other receivables	175,162	191,715
Allowance for doubtful accounts	(4,791)	(479)
	384,114	591,192
	\$ 447,133	\$ 640,490

Property taxes receivable include \$288,493 (2015 - \$275,694) of balances outstanding for greater than one year. The Town's future actions with respect to the collection of outstanding property taxes remains undetermined; therefore a provision has been recorded.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

4. Investments:

	2016		2015	
	Cost	Market value	Cost	Market value
Short-term investments and deposits	\$ 101,140	\$ 101,140	\$ 546,464	\$ 546,464
Corporate, government and government guaranteed bonds	5,970,705	6,023,483	3,922,123	4,020,776
Gas Alberta Inc., 111 Class A shares, at cost	111	111	111	111
	\$ 6,071,956	\$ 6,124,734	\$ 4,468,698	\$ 4,567,351

Short-term investments and deposits have effective interest rates of 1.00% (2015 - 1.00%). Corporate, government and government guaranteed bonds have effective interest rates ranging from 1.50% (2015 - 1.95%) to 4.10% (2015 - 4.50%) with maturity dates ranging from April 2017 (2015 – January 2016) to July 2024 (2015 – July 2024). The Town intends to hold these securities until maturity.

5. Deposit liabilities:

	2016	2015
Utility deposits	\$ 42,296	\$ 46,896
Land deposits	6,400	6,400
Damage deposits	22,400	22,400
	\$ 71,096	\$ 75,696

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

6. Deferred revenue:

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

	2016	2015
Provincial government transfers:		
Basic Municipal Transportation Grant	\$ 284,769	\$ 282,650
Regional Collaboration Conditional Grant	1,216	1,207
Alberta Municipal Infrastructure Program	22,931	22,759
FireSmart Grant	42,126	79,095
Municipal Grants - Other	923	916
Municipal Sustainability Initiative	608,561	840
Other	-	6,810
	\$ 960,526	\$ 394,277

Continuity of deferred revenue is as follows:

	2016	2015
Balance at beginning of year	\$ 394,277	\$ 567,893
Government transfers received during the year	1,781,680	1,157,949
Other	-	6,810
Interest earned	10,060	4,090
Government transfers recognized during the year	(1,225,491)	(1,342,465)
Balance, end of year	\$ 960,526	\$ 394,277

7. Long-term debt:

	2016	2015
Tax supported debentures	\$ 258,427	\$ 337,202
Utility supported debentures	1,543,926	1,669,003
	\$ 1,802,353	\$ 2,006,205

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

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

7. Long-term debt (continued):

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

	Principal	Interest	Total
2017	\$ 212,621	\$ 81,417	\$ 294,038
2018	223,043	71,396	294,439
2019	233,535	60,904	294,439
2020	150,070	51,004	201,074
2021	157,126	43,948	201,074
Thereafter	825,958	102,608	928,566
	<u>\$ 1,802,353</u>	<u>\$ 411,277</u>	<u>\$ 2,213,630</u>

8. Debt and debt service limits:

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town be disclosed as follows:

	2016	2015
Total debt limit	\$ 6,990,198	\$ 7,619,838
Total debt	<u>1,802,353</u>	<u>2,006,205</u>
Amount by which debt limit unused	5,187,845	5,613,633
Percentage used (%)	25.78%	26.33%
Debt servicing limit	1,165,033	1,269,973
Debt servicing	<u>294,439</u>	<u>294,439</u>
Amount by which debt servicing limit unused	870,594	975,534
Percentage used (%)	25.27%	23.18%

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

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

9. Tangible capital assets:

	2016							
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	Total
Cost:								
Balance, beginning of year	\$ 689,103	8,626,489	10,763,858	26,980,626	2,001,798	1,078,134	-	\$ 50,140,008
Additions and contributions	-	-	40,159	-	96,583	-	39,828	176,570
Balance, end of year	689,103	8,626,489	10,804,017	26,980,626	2,098,381	1,078,134	39,828	50,316,578
Accumulated amortization:								
Balance, beginning of year	-	275,748	3,803,529	8,914,768	1,116,087	706,052	-	14,816,184
Amortization	-	272,936	230,339	593,082	86,824	33,764	-	1,216,945
Balance, end of year	-	548,684	4,033,868	9,507,850	1,202,911	739,816	-	16,033,129
Net book value, end of year	\$ 689,103	8,077,805	6,770,149	17,472,776	895,470	338,318	39,828	\$ 34,283,449

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, 2016

9. Tangible capital assets (continued):

a) Assets under construction

Assets under construction having a value of \$39,828 (2015 - \$ nil) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

b) Contributions of tangible capital assets

Contributions of tangible capital assets have been recognized at fair market value at the date of contribution. The value of the contributions of tangible capital assets received during the year is \$nil (2015 - \$8,456,474 for an airport runway, road, and helipad).

c) Tangible capital assets disclosed at nominal values

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

10. Accumulated surplus:

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

	2016	2015
Reserves	\$ 2,727,627	\$ 2,474,052
Invested in tangible capital assets	32,481,096	33,317,619
Unrestricted surplus	3,617,303	3,558,607
	<u>\$ 38,826,026</u>	<u>\$ 39,350,278</u>

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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 (2015 - 11.39 percent) of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 15.84 percent (2015 - 15.84 percent) thereafter. Employees of the Town are required to make current service contributions of 10.39 per cent (2015 - 10.39 per cent) of pensionable salary up to YMPE, and 14.84 percent (2015 - 14.84 percent) thereafter.

Total current service contributions by the Town to the LAPP in 2016 were \$65,938 (2015 - \$51,343). Total service contributions by the employees of the Town to the LAPP in 2016 were \$60,636 (2015 - \$47,319).

As at December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million (2014 - \$2.45 billion). This amount was not specifically allocated to the participating government organizations. The 2016 actuarial balance was not available at the date these financial statements were released.

12. Net municipal taxes:

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

	Budget (Note 18)	2016	2015
Taxation			
Real property taxes	\$ 1,607,029	\$ 1,631,456	\$ 1,602,619
Linear property taxes	45,573	23,864	23,448
Government grants in place of property taxes	30,308	22,492	22,608
	1,682,910	1,677,812	1,648,675
Requisitions			
Alberta School Foundation Fund	263,996	263,996	269,021
Mackenzie Housing Management Board	31,173	31,173	28,749
	295,169	295,169	297,770
Net municipal taxes	\$ 1,387,741	\$ 1,382,643	\$ 1,350,905

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

13. Government transfers:

	Budget (Note 18)	2016	2015
Transfers for operating			
Provincial government	\$ 619,316	\$ 301,240	\$ 341,041
Federal government	103,800	-	-
Other local government	796,000	796,400	796,400
	1,519,116	1,097,640	1,137,441
Transfers for capital			
Provincial government	250,000	110,107	205,024
Federal government	-	-	-
	250,000	110,107	205,024
Total government transfers	\$ 1,769,116	\$ 1,207,747	\$ 1,342,465

14. Expenses by object:

	Budget (Note 18)	2016	2015
Salaries, wages and benefits	\$ 1,372,457	\$ 1,347,806	\$ 1,226,953
Contracted and general services	2,056,542	1,299,517	1,448,995
Materials, goods and utilities	1,705,355	1,309,480	1,065,632
Allowance for doubtful accounts	2,000	797	352,742
Transfers to local boards and agencies	29,000	7,250	7,000
Bank charges and interest	23,500	22,986	20,954
Interest on long-term debt	120,340	89,710	98,909
Amortization of tangible capital assets	-	1,216,945	1,101,260
	\$ 5,309,194	\$ 5,294,491	\$ 5,322,445

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

15. Salary and benefits disclosure:

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

	Salary ¹	Benefits ²	2016 Total	2015 Total
Mayor Langford	\$ 6,100	\$ -	\$ 6,100	\$ 17,013
Mayor/Deputy Mayor Olorenshaw	8,100	-	8,100	7,642
Councillor Bateman	3,400	-	3,400	2,800
Councillor Farris	9,600	-	9,600	7,354
Councillor Mitchell	2,400	-	2,400	-
Councillor Smith	4,200	-	4,200	5,032
Chief Administrative Officer	139,120	33,984	173,104	166,500
	\$ 172,920	\$ 33,984	\$ 206,904	\$ 206,341

1. Salary includes regular base pay, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Benefits include contributions or payments made on behalf of employees including pension, health care, dental coverage, and 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, 2016

16. Financial instruments and risk management:

The Town's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, and long-term debt.

It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments. The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises with respect to the local economy's dependence on commodity prices and the possibility that the Town's taxpayers may experience financial difficulty and be unable to fulfill their obligations. Unless otherwise noted, the carrying value of financial instruments approximates their fair value.

17. Segmented information:

Segmented information has been identified based upon lines of service provided by the Town. Town services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

i) Protective Services:

Protective Services include fire, by-law enforcement and animal protection. The fire department is responsible to provide fire suppression services, fire prevention programs, training and education related to prevention, and detection or extinguishment of fires. Town by-law officers enforce the Town's by-laws. The Town also operates a dog pound and ensures that stray animals are protected.

ii) Public Works and Transportation:

The Public Works department is responsible for the delivery of municipal public works services related to planning, development and maintenance of roadway systems, the Rainbow Lake Airport and the maintenance of parks and open spaces.

iii) Utilities:

The Town is responsible for environmental programs such as the engineering and operation of water and wastewater systems and waste management, the latter of which encompasses solid waste collection and disposal. The Town is also responsible for the delivery of cable & internet services and a natural gas system which services the Town.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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, 2016

17. Segmented information (continued):

	2016						
	Protective Services	Public Works and Transportation	Utilities	Planning and Development	Family and Community Support	Recreation, Parks and Library Services	Other Municipal
							Total
Revenue:							
Net municipal taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,382,643
User fees and sales of goods	145,433	48,417	1,452,156	10	29,943	7,432	1,683,756
Government transfers - operating	212,562	-	9,121	48,000	31,557	-	1,097,640
Rental income	-	52,255	-	(6,217)	5,092	55,790	111,120
Franchise and concession contracts	-	-	-	-	-	-	158,232
Penalties and costs of taxes	-	-	-	-	-	-	24,923
Licenses and permits	6,822	-	-	1,619	-	-	8,441
Investment income	-	-	-	-	-	-	105,945
Other	16,126	-	8,867	-	5,366	26,803	12,839
Gain on sale of investments	-	-	-	-	-	-	17,431
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-
Expenses:							
Salaries, wages and benefits	380,943	100,672	1,470,144	43,412	71,958	90,025	2,502,978
Contracted and general services	111,602	359,095	194,198	32,951	9,621	176,277	464,062
Materials, goods and utilities	94,834	281,290	428,227	56,399	14,348	195,686	228,733
Recovery of provision for allowances	278,887	208,540	477,362	1,905	109,338	177,413	56,035
Transfers to local boards and agencies	-	-	-	-	-	-	797
Bank charges and interest	-	-	-	6,250	-	-	1,000
Interest on long-term debt	-	-	74,509	-	-	-	22,986
Amortization of tangible capital assets	30,023	462,456	518,800	-	14,086	15,201	-
Other:							
Government transfers - capital	515,346	1,311,381	1,693,096	97,505	147,393	130,867	60,713
	59,828	50,279	-	-	-	695,444	834,326
Annual surplus (deficit)	\$ (74,575)	\$ (1,160,430)	\$ (222,952)	\$ (54,093)	\$ (75,435)	\$ (605,419)	\$ 1,668,652
							\$ (524,252)

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

17. Segmented information (continued):

	2015						
	Protective Services	Public Works and Transportation	Utilities	Planning and Development	Family and Community Support	Recreation, Parks and Library Services	Other Municipal
Revenue:							Total
Net municipal taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,350,905
User fees and sales of goods	228,552	56,048	1,780,927	-	3,816	5,729	2,076,017
Government transfers - operating	-	67,731	32,769	48,000	24,916	-	1,137,441
Rental income	-	59,091	-	15,174	6,628	70,151	154,469
Franchise and concession contracts	-	-	-	-	-	-	172,951
Penalties and costs of taxes	-	-	-	-	-	-	76,881
Licenses and permits	10,286	-	-	1,800	-	-	12,086
Investment income	-	-	-	-	-	-	109,297
Other	13,739	-	7,057	-	3,475	4,116	45,387
Loss on disposal of tangible capital assets	-	(55,542)	-	-	-	-	(55,542)
Expenses:	252,577	127,328	1,820,753	64,974	38,835	79,996	5,079,892
Salaries, wages and benefits	156,713	314,099	169,969	30,414	3,899	128,398	1,226,953
Contracted and general services	54,890	330,938	445,491	224,025	6,975	170,953	1,448,995
Materials, goods and utilities	28,959	213,579	574,176	1,057	39,175	155,080	1,065,632
Provision for allowances	-	-	-	-	-	-	352,742
Transfers to local boards and agencies	-	-	-	5,000	-	-	7,000
Bank charges and interest	-	-	-	-	-	-	20,954
Interest on long-term debt	-	-	80,735	-	-	18,174	98,909
Amortization of tangible capital assets	25,109	351,442	518,800	-	14,086	130,867	1,101,260
	265,671	1,210,058	1,789,171	260,496	64,135	603,472	5,322,445
Other:							
Contributions of tangible capital assets	-	-	-	-	-	8,456,474	8,456,474
Government transfers - capital	-	205,024	-	-	-	-	205,024
Annual surplus (deficit)	\$ (13,094)	\$ (877,706)	\$ 31,582	\$ (195,522)	\$ (25,300)	\$ 7,932,998	\$ 1,565,987
							\$ 8,418,945

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

18. Budget:

The budget data presented in these consolidated financial statements of the Town includes the 2016 capital budget and the operating budget, excluding budgeted amortization of tangible capital assets as management does not include this expense within their budget. The capital and operating budgets were approved by Council on April 27, 2016.

19. Approval of financial statements:

Council and Management have approved these financial statements.

