

Consolidated Financial Statements of

TOWN OF RAINBOW LAKE

Year ended December 31, 2020

TOWN OF RAINBOW LAKE

Consolidated Financial Statements

Year ended December 31, 2020

Consolidated Financial Statements

Management's Responsibility for the 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

April 19, 2021



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the consolidated statement of financial position as at December 31, 2020
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies
(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of its operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada

April 19, 2021

TOWN OF RAINBOW LAKE

Consolidated Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets:		
Cash	\$ 797,177	\$ 1,067,608
Accounts receivable (note 3)	363,041	491,081
Investments (note 4)	3,790,692	4,211,762
Land inventory held for resale	313,186	298,186
	<u>5,264,096</u>	<u>6,068,637</u>
Liabilities:		
Accounts payable and accrued liabilities	358,062	321,611
Deposit liabilities (note 5)	85,584	93,707
Deferred revenue (note 6)	123,655	705,412
Long-term debt (notes 7 and 8)	983,083	1,133,153
	<u>1,550,384</u>	<u>2,253,883</u>
Net financial assets	3,713,712	3,814,754
Non-financial assets:		
Tangible capital assets (note 9)	33,474,502	32,766,667
Inventories of supplies	12,796	12,796
Prepaid expenses	148,602	129,279
	<u>33,635,900</u>	<u>32,908,742</u>
Accumulated surplus (note 10)	<u>\$ 37,349,612</u>	<u>\$ 36,723,496</u>

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

Approved by:

_____ Mayor

_____ Councillor

TOWN OF RAINBOW LAKE

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2020, with comparative information for 2019

	Budget (Note 18)	2020	2019
Revenue:			
User fees and sales of goods	\$ 1,283,280	\$ 1,222,772	\$ 1,336,843
Net municipal taxes (note 12)	751,201	732,897	987,394
Government transfers for operating (note 13)	1,756,571	1,748,795	915,640
Franchise and concession contracts	155,000	145,394	162,131
Penalties and costs of taxes	72,500	27,142	151,397
Investment income	145,750	73,300	109,330
Rental income	111,630	137,076	136,865
Other	23,350	52,860	97,003
Licenses and permits	4,000	2,247	4,126
	<u>4,303,282</u>	<u>4,142,483</u>	<u>3,900,729</u>
Expenses (note 14):			
Water supply and distribution	512,998	1,088,031	1,028,842
Airport services	312,465	646,486	620,418
Recreation, parks and library services	508,646	630,503	679,110
Natural gas supply and distribution	354,765	541,173	558,601
Administration	518,606	493,004	886,356
Protective services	374,837	437,513	193,751
Transportation services	340,000	338,215	342,888
Common services	223,080	320,509	293,727
Cable and internet services	196,622	254,585	227,588
Waste management	176,200	223,265	222,277
Legislative	155,315	119,987	142,208
Housing rentals	64,687	114,150	210,906
Family and community support	85,957	73,889	86,936
Planning and development	54,300	58,020	68,356
Subdivision land development	26,800	24,250	54,404
(Gain) loss on sale of investments	-	(21,281)	2,405
	<u>3,905,278</u>	<u>5,342,299</u>	<u>5,618,773</u>
Annual surplus (deficit) before other	398,004	(1,199,816)	(1,718,044)
Other:			
Government transfer - capital (note 13)	2,225,000	1,863,243	512,904
Loss on disposal of tangible capital assets	-	(37,311)	(78,447)
Annual surplus (deficit)	2,623,004	626,116	(1,283,587)
Accumulated surplus, beginning of year	36,723,496	36,723,496	38,007,083
Accumulated surplus, end of year	<u>\$ 39,346,500</u>	<u>\$ 37,349,612</u>	<u>\$ 36,723,496</u>

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, 2020, with comparative information for 2019

	Budget (Note 18)	2020	2019
Annual surplus (deficit)	\$ 2,623,004	\$ 626,116	\$ (1,283,587)
Acquisition of tangible capital assets	(2,725,000)	(1,996,322)	(656,838)
Proceeds on disposal of tangible capital assets	-	-	-
Amortization of tangible capital assets	-	1,251,176	1,231,172
Loss on disposal of tangible capital assets	-	37,311	78,447
	(101,996)	(81,719)	(630,806)
Net consumption of inventories of supplies	-	-	1,686
Net use (acquisition) of prepaid expenses	-	(19,323)	11,240
	-	(19,323)	12,926
Change in net financial assets	(101,996)	(101,042)	(617,880)
Net financial assets, beginning of year	3,814,754	3,814,754	4,432,634
Net financial assets, end of year	\$ 3,712,758	\$ 3,713,712	\$ 3,814,754

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, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations activities:		
Annual surplus (deficit)	\$ 626,116	\$ (1,283,587)
Items not involving cash:		
Amortization of tangible capital assets	1,251,176	1,231,172
Amortization of premium on investments	10,222	20,544
(Gain) loss on sale of investments	(21,281)	2,405
Loss on disposal of tangible capital assets	37,311	78,447
Change in non-cash items:		
Accounts receivable	128,039	327,527
Land held for resale	(15,000)	(120,000)
Accounts payable and accrued liabilities	36,451	(37,811)
Deposit liabilities	(8,123)	8,735
Deferred revenue	(581,757)	(30,739)
Inventories of supplies	-	1,686
Prepaid expenses	(19,323)	11,240
Net change in cash from operating activities	1,443,831	209,619
Capital activities:		
Acquisition of tangible capital assets	(1,996,322)	(656,838)
Proceeds from disposal of tangible capital assets	-	-
Net change in cash from capital activities	(1,996,322)	(656,838)
Investing activities:		
Withdrawals of investments, net	432,130	1,402,680
Net change in cash from investing activities	432,130	1,402,680
Financing activities:		
Long-term debt repaid	(150,070)	(233,535)
Net change in cash from financing activities	(150,070)	(233,535)
(Decrease) increase in cash	(270,431)	721,926
Cash, at beginning of year	1,067,608	345,682
Cash, at end of year	\$ 797,177	\$ 1,067,608
Cash paid for interest	\$ 70,106	\$ 83,335
Cash received from interest	96,016	147,653

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, 2020

1. Nature of organization:

The Town of Rainbow Lake (the "Town") was established on September 1, 1966. The Town is governed by the Municipal Government Act of the Province of Alberta (the "MGA").

2. Significant accounting policies:

The consolidated financial statements of the Town are prepared by the Town's management in accordance with Canadian public sector accounting standards ("PSAS"). Significant accounting policies adopted by the Town are as follows:

(a) Reporting entity:

i) Consolidated entities

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

ii) Accounting for housing management bodies and school board transactions

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

iii) Mackenzie Regional Waste Management Commission

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

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

2. Significant accounting policies (continued):

(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, 2020

2. Significant accounting policies (continued):

(f) Local improvements:

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

(g) Deferred revenue:

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

(h) Investments:

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

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

(i) Non-financial assets:

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

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

2. Significant accounting policies (continued):

(i) Non-financial assets (continued):

i) Tangible capital assets

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

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

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

ii) Contributions of tangible capital assets

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

iii) Works of art and cultural and historic assets

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

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

2. Significant accounting policies (continued):

(i) Non-financial assets (continued):

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.

(j) Contaminated sites liabilities:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. A liability is recognized for remediation of contaminated sites when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. 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, 2020

2. Significant accounting policies (continued):

(l) Future accounting standard pronouncements:

The following summarizes upcoming changes to public sector accounting standards issued by the Public Sector Accounting Standards Board. In 2021, the Town will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption may vary, the requirements in PS1201 *Financial Statement Presentation*, PS3450 *Financial Instruments*, PS 2601 *Foreign Currency Translation* and PS3041 *Portfolio Investments* must be implemented at the same time.

Public Sector Accounting Standard	Effective Date
PS1201 <i>Financial Statement Presentation</i>	April 1, 2022
PS3450 <i>Financial Instruments</i>	April 1, 2022
PS2601 <i>Foreign Currency Translation</i>	April 1, 2022
PS3041 <i>Portfolio Investments</i>	April 1, 2022
PS3280 <i>Asset Retirement Obligations</i>	April 1, 2022
PS3400 <i>Revenue</i>	April 1, 2023
PSG-8 <i>Purchased Intangibles</i>	April 1, 2023

3. Accounts receivable:

	2020	2019
Property Taxes		
Property taxes receivable	\$ 280,418	\$ 412,014
Provision for non-collection	(222,360)	(354,063)
	58,058	57,951
Other Receivables		
Trade receivable	131,133	201,566
Utility receivable	187,012	183,779
Due from staff and Councillors	91,577	95,769
Grants receivable	2,821	2,821
Local improvements receivable	-	8,483
Provision for non-collection	(107,560)	(59,288)
	304,983	433,130
	\$ 363,041	\$ 491,081

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

3. Accounts receivable (continued):

Property taxes receivable include \$222,360 (2019 - \$224,788) of balances outstanding for greater than one year. The property taxes receivable balance of \$222,360 (2019 - \$224,788) outstanding for greater than one year was fully allowed for as at December 31, 2020.

4. Investments:

	2020		2019	
	Cost	Market value	Cost	Market value
Short-term investments and deposits	\$ 86,426	\$ 86,426	\$ 56,955	\$ 56,955
Corporate, government and government guaranteed bonds	3,704,155	3,780,201	4,154,696	4,152,128
Gas Alberta Inc., 111 Class A shares, at cost	111	111	111	111
	<u>\$ 3,790,692</u>	<u>\$ 3,866,738</u>	<u>\$ 4,211,762</u>	<u>\$ 4,209,194</u>

Short-term investments and deposits have effective interest rates of 0.55% (2019 - 1.31%). Corporate, government and government guaranteed bonds have effective interest rates ranging from 0.75% to 3.226% (2019 - 2.07% to 2.23%) with maturity dates ranging from September 2021 to February 2028 (2019 - July 2020 to February 2028). The Town intends to hold these securities until maturity.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

5. Deposit liabilities:

	2020	2019
Utility deposits	\$ 63,184	\$ 71,307
Damage deposits	22,400	22,400
	\$ 85,584	\$ 93,707

6. Deferred revenue:

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

	2020	2019
Municipal Sustainability Initiative - capital	\$ 123,655	\$ 390,738
Municipal Sustainability Initiative - operating	-	-
Basic Municipal Transportation Grant	-	291,224
Alberta Municipal Infrastructure Program	-	23,450
	\$ 123,655	\$ 705,412

Continuity of deferred revenue is as follows:

	2020	2019
Balance at beginning of year	\$ 705,412	\$ 736,151
Government transfers received during the year	3,023,756	1,392,283
Interest earned	6,525	5,522
Government transfers recognized during the year	(3,612,038)	(1,428,544)
Balance, end of year	\$ 123,655	\$ 705,412

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

7. Long-term debt:

	2020	2019
Utility supported debentures	\$ 983,083	\$ 1,133,153
Tax supported debentures	-	-
	\$ 983,083	\$ 1,133,153

Debenture debt is repayable to the Province of Alberta, previously the Alberta Capital Finance Authority. The debt bears interest at rates between 4.57% and 4.70% per annum, before Provincial subsidy, with maturities between December 2025 and September 2026. Debenture debt is issued on the credit and security of the Town at large.

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

	Principal	Interest	Total
2021	\$ 157,126	\$ 43,948	\$ 201,074
2022	164,514	36,561	201,075
2023	172,249	28,826	201,075
2024	180,347	20,727	201,074
Thereafter	308,847	16,493	325,340
	\$ 983,083	\$ 146,555	\$ 1,129,638

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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:

	2020	2019
Total debt limit	\$ 6,213,725	\$ 5,851,094
Total debt	<u>983,083</u>	<u>1,133,153</u>
Amount by which debt limit unused	5,230,642	4,717,941
Percentage used (%)	15.82%	19.37%
Debt servicing limit	1,035,620	975,182
Debt servicing	<u>201,074</u>	<u>294,439</u>
Amount by which debt servicing limit unused	834,546	680,743
Percentage used (%)	19.42%	30.19%

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, 2020

9. Tangible capital assets:

	2020							
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	Total
Cost:								
Balance, beginning of year	\$ 535,917	\$ 8,659,390	\$ 11,089,317	\$ 28,574,093	\$ 2,500,004	\$ 1,352,840	\$ 239,755	\$ 52,951,316
Internal transfers	-	-	-	202,444	-	-	(202,444)	-
Additions and contributions	-	-	82,495	1,852,461	9,576	-	51,790	1,996,322
Retirement	-	-	-	-	-	-	(37,311)	(37,311)
Balance, end of year	535,917	8,659,390	11,171,812	30,628,998	2,509,580	1,352,840	51,790	54,910,327
Amortization:								
Balance, beginning of year	-	1,388,541	4,724,791	11,889,090	1,505,554	676,673	-	20,184,649
Amortization	-	292,897	235,115	555,905	111,358	55,901	-	1,251,176
Contributions	-	-	-	-	-	-	-	-
Retirement	-	-	-	-	-	-	-	-
Balance, end of year	-	1,681,438	4,959,906	12,444,995	1,616,912	732,574	-	21,435,825
Net book value, end of year	\$ 535,917	\$ 6,977,952	\$ 6,211,906	\$ 18,184,003	\$ 892,668	\$ 620,266	\$ 51,790	\$ 33,474,502

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

9. Tangible capital assets (continued):

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

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

9. Tangible capital assets (continued):

a) Assets under construction

Assets under construction having a value of \$51,790 (2019 - \$239,755) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

b) Tangible capital assets disclosed at nominal values

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

10. Accumulated surplus:

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

	2020	2019
Reserves	\$ 4,105,490	\$ 4,146,023
Invested in tangible capital assets	32,491,419	31,633,514
Unrestricted surplus	752,703	943,959
	<u>\$ 37,349,612</u>	<u>\$ 36,723,496</u>

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

11. Local authorities pension plan:

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

The Town was required to make current service contributions to the Plan of 9.39% (2019 - 9.39%) of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 13.84% (2019 - 13.84%) thereafter. Employees of the Town are required to make current service contributions of 8.39% (2019 - 8.39%) of pensionable salary up to YMPE, and 12.84% (2019 - 12.84%) thereafter.

Total current service contributions by the Town to the LAPP in 2020 were \$67,826 (2019 - \$91,521). Total service contributions by the employees of the Town to the LAPP in 2020 were \$61,054 (2019 - \$83,261).

As at December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.91 billion (2018 - \$3.47 billion). This amount was not specifically allocated to the participating government organizations. The 2020 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	2020	2019
	(Note 18)		
Taxation			
Real property taxes	\$ 920,271	\$ 942,037	\$ 1,216,650
Government grants in place of property taxes	14,958	9,574	17,998
Linear property taxes	28,256	23,303	23,960
	963,485	974,914	1,258,608
Requisitions & Other			
Alberta School Foundation Fund	197,171	208,083	236,820
Boreal Housing Foundation	14,958	14,958	22,273
Carbon Tax Levy	155	18,976	12,121
	212,284	242,017	271,214
Net municipal taxes	\$ 751,201	\$ 732,897	\$ 987,394

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

13. Government transfers:

	Budget	2020	2019
	(Note 18)		
Transfers for operating			
Provincial government	\$ 501,571	\$ 480,950	\$ 105,540
Federal government	5,000	17,595	13,700
Other local government	1,250,000	1,250,250	796,400
	1,756,571	1,748,795	915,640
Transfers for capital			
Provincial government	1,400,000	1,353,665	231,002
Federal government	825,000	509,578	281,902
	2,225,000	1,863,243	512,904
Total government transfers	\$ 3,981,571	\$ 3,612,038	\$ 1,428,544

14. Expenses by object:

	Budget	2020	2019
	(Note 18)		
Contracted and general services	\$ 1,293,734	\$ 1,508,969	\$ 1,732,898
Salaries, wages and benefits	1,372,640	1,385,868	1,451,142
Amortization of tangible capital assets	-	1,251,176	1,231,172
Materials, goods and utilities	1,097,900	1,160,196	824,464
Interest on long-term debt	51,004	49,634	59,412
Bank charges and interest	24,000	19,012	22,431
Transfers to local boards and agencies	64,000	56,250	57,649
Bad debt expense	2,000	(67,525)	237,200
(Gain) loss on sale of investments	-	(21,281)	2,405
	\$ 3,905,278	\$ 5,342,299	\$ 5,618,773

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

15. Salary and benefits disclosure:

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

Disclosure of salaries and benefits for municipal officials, the Chief Administrative Officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salary ¹	Benefits ²	2020 Total	2019 Total
Mayor Farris	\$ 14,200	\$ 1,138	\$ 15,338	\$ 18,326
Deputy Mayor Smith	1,400	51	1,451	6,589
Deputy Mayor/Councillor Mitchell	8,600	486	9,086	-
Councillor Juneau	11,000	665	11,665	12,461
Councillor Lindley	5,200	282	5,482	7,450
Councillor Mitchell	-	-	-	7,226
CAO Fletcher	147,182	52,648	199,830	186,270
	\$ 187,582	\$ 55,270	\$ 242,852	\$ 238,322

1. Salary includes regular base pay, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Benefits include contributions or payments made on behalf of employees including pension, health care, dental coverage, Canada Pension Plan, Employment Insurance and director's liability and life insurance. Benefits also include the costs of additional taxable benefits including special leave with pay, travel, housing, and car allowances.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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 and 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, 2020

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 out of the Rainbow Lake Recreation Complex, and the Nursery School and Youth Center.

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. Recreation includes Rainbow Lake Recreation Complex and the Town's outdoor baseball diamonds, playgrounds and parks.

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, 2020

17. Segmented information (continued):

	2020							Total
	Protective Services	Public Works and Transportation	Utilities	Planning and Development	Family and Community Support	Recreation, Parks and Library Services	Other Municipal	
Revenue:								
Net municipal taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 732,897	\$ 732,897
User fees and sales of goods	18,250	19,864	1,180,080	-	1,563	2,272	743	1,222,772
Government transfers - operating	299,975	-	31,832	25,000	47,734	8,503	1,335,751	1,748,795
Rental income	-	23,791	-	4,568	1,000	37,164	70,553	137,076
Franchise and concession contracts	-	-	-	-	-	-	145,394	145,394
Penalties and costs of taxes	-	-	-	-	-	-	27,142	27,142
Licenses and permits	1,197	-	-	1,050	-	-	-	2,247
Investment income	-	-	-	-	-	-	73,300	73,300
Other	20,580	-	8,150	-	1,150	3,803	19,177	52,860
	340,002	43,655	1,220,062	30,618	51,447	51,742	2,404,957	4,142,483
Expenses:								
Salaries, wages and benefits	12,010	317,055	410,276	43,587	33,623	237,569	331,748	1,385,868
Contracted and general services	42,357	340,755	652,905	33,683	10,321	141,116	287,832	1,508,969
Materials, goods and utilities	316,305	232,798	444,994	-	15,782	112,414	37,903	1,160,196
Transfers to local boards and agencies	-	-	-	5,000	-	-	51,250	56,250
Bank charges and interest	-	-	-	-	-	-	19,012	19,012
Interest on long-term debt	-	-	49,634	-	-	-	-	49,634
Amortization of tangible capital assets	66,841	414,602	549,245	-	14,163	139,404	66,921	1,251,176
Bad debt recovery	-	-	-	-	-	-	(67,525)	(67,525)
Gain on sale of investments	-	-	-	-	-	-	(21,281)	(21,281)
	437,513	1,305,210	2,107,054	82,270	73,889	630,503	705,860	5,342,299
Other:								
Government transfers - capital	-	-	1,863,243	-	-	-	-	1,863,243
Loss on retirement of tangible capital assets	-	-	-	-	-	-	(37,311)	(37,311)
Annual surplus (deficit)	\$ (97,511)	\$ (1,261,555)	\$ 976,251	\$ (51,652)	\$ (22,442)	\$ (578,761)	\$ 1,661,786	\$ 626,116

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

17. Segmented information (continued):

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

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

18. Budget:

The budget data presented in these consolidated financial statements of the Town includes the 2020 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 May 4, 2020.

19. Impact of COVID-19

On March 11, 2020, the World Health Organization (WHO) declared coronavirus disease 2019 (COVID-19) a pandemic. The Town put measures in place throughout 2020 to slow down the spread of the pandemic, including suspension of non-essential services and closure of the recreational complex. Additionally, the Town allowed for a 180-day deferral of utility and tax payments.

As this situation is dynamic and the ultimate duration and magnitude of the impact on the economy is not known, as estimate of the future financial effect on The Town is not determinable at this time. The Town continues to closely monitor the COVID-19 developments and follow the issued guidelines of AHS to ensure a quick and effective response to this evolving situation.

20. Approval of financial statements:

Council and Management have approved these financial statements on April 19, 2021.