

Consolidated Financial Statements of

TOWN OF RAINBOW LAKE

Year ended December 31, 2022

TOWN OF RAINBOW LAKE

Consolidated Financial Statements

Year ended December 31, 2022

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 Auditor's 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 20, 2023



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INDEPENDENT AUDITOR'S 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, 2022
- 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 consolidated financial position of the Entity as at December 31, 2022, 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.

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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our **auditor's** 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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 represent 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 25, 2023

TOWN OF RAINBOW LAKE

Consolidated Statement of Financial Position

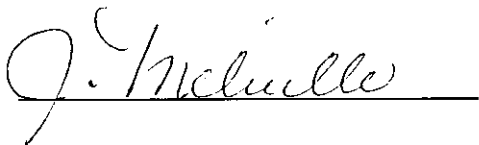
December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash	\$ 43,312	\$ 353,491
Accounts receivable (note 3)	448,885	708,219
Investments (note 4)	2,608,188	3,031,311
Land inventory held for resale	219,406	223,586
	<u>3,319,791</u>	<u>4,316,607</u>
Liabilities:		
Cheques issued in excess of funds on deposit	215,549	-
Accounts payable and accrued liabilities	249,565	364,073
Deposit liabilities (note 5)	71,312	82,893
Deferred revenue (note 6)	83,042	-
Long-term debt (notes 7 and 8)	661,443	825,957
	<u>1,280,911</u>	<u>1,272,923</u>
Net financial assets	2,038,880	3,043,684
Non-financial assets:		
Tangible capital assets (note 9)	33,202,062	33,627,176
Inventories of supplies	5,409	12,796
Prepaid expenses	142,764	141,012
	<u>33,350,235</u>	<u>33,780,984</u>
Accumulated surplus (note 10)	\$ 35,389,115	\$ 36,824,668

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, 2022, with comparative information for 2021

	Budget (Note 18)	2022	2021
Revenue:			
User fees and sales of goods	\$ 1,475,771	\$ 1,338,860	\$ 1,253,582
Net municipal taxes (note 12)	451,830	425,557	460,248
Government transfers - operating (note 13)	1,588,655	1,585,352	1,410,585
Rental income	145,370	151,417	173,621
Franchise and concession contracts	170,000	170,115	137,352
Penalties and costs of taxes	53,000	34,287	35,604
Licenses and permits	4,000	375	994
Investment income	89,929	70,759	55,980
Other	147,150	205,092	39,259
	4,125,705	3,981,814	3,567,225
Expenses (note 14):			
Protective services	260,987	346,237	189,359
Public Works and Transportation			
Airport services	328,498	657,239	616,823
Common services	194,606	303,936	349,039
Transportation services	346,249	375,125	277,343
Utilities			
Water supply and distribution	530,828	1,069,287	1,085,374
Natural gas supply and distribution	619,709	735,126	607,865
Waste management	221,346	233,308	253,615
Cable and internet services	208,622	197,855	240,001
Planning and development			
Planning and development	50,070	49,460	55,739
Subdivision land development	13,400	12,927	8,443
Family and community support	78,361	105,554	93,336
Recreation, parks and library services	430,630	692,526	657,671
Other municipal			
Administration	349,799	397,091	431,319
Legislative	149,140	175,257	189,495
Housing rentals	79,708	86,112	108,817
Loss (Gain) on sale of investments	-	69,607	(3,494)
	3,861,954	5,506,647	5,160,745
Annual Surplus (Deficit) before other	263,751	(1,524,833)	(1,593,520)
Other:			
Government transfers - capital (note 13)	1,666,921	85,540	1,184,503
Gain (Loss) on disposal of assets	-	3,740	(115,927)
Annual surplus (deficit)	1,930,672	(1,435,553)	(524,944)
Accumulated surplus, beginning of year	36,824,668	36,824,668	37,349,612
Accumulated surplus, end of year	\$ 38,755,340	\$ 35,389,115	\$ 36,824,668

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, 2022, with comparative information for 2021

	Budget (Note 18)	2022	2021
Annual surplus (deficit)	\$ 1,930,672	\$ (1,435,553)	\$ (524,944)
Acquisition of tangible capital assets	(2,520,000)	(889,708)	(1,479,017)
Proceeds on disposal of tangible capital assets	-	-	36,850
Amortization of tangible capital assets	-	1,315,334	1,280,825
Loss on disposal of tangible capital assets	-	-	8,668
	(589,328)	(1,009,927)	(677,618)
Net use (acquisition) of prepaid expenses	-	(1,752)	7,590
Decrease in Inventory	-	6,875	
	-	5,123	7,590
Change in net financial assets	(589,328)	(1,004,804)	(670,028)
Net financial assets, beginning of year	3,043,684	3,043,684	3,713,712
Net financial assets, end of year	\$ 2,454,356	\$ 2,038,880	\$ 3,043,684

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, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations activities:		
Annual surplus (deficit)	\$ (1,435,553)	\$ (524,944)
Items not involving cash:		
Amortization of tangible capital assets	1,315,334	1,280,825
Amortization of premium on investments	(10,396)	11,768
Gain on sale of investments	69,607	(3,494)
Loss on disposal of tangible capital assets	-	8,668
Change in non-cash items:		
Accounts receivable	259,335	(345,178)
Land held for resale	4,180	89,600
Accounts payable and accrued liabilities	(114,509)	6,012
Deposit liabilities	(11,581)	(2,691)
Deferred revenue	83,042	(123,655)
Prepaid expenses	(1,752)	7,590
Net change in cash from operating activities	164,582	404,501
Capital activities:		
Acquisition of tangible capital assets	(889,708)	(1,479,017)
Proceeds from disposal of tangible capital assets	-	36,850
Net change in cash from capital activities	(889,708)	(1,442,167)
Investing activities:		
Withdrawals of investments, net	363,912	751,106
Net change in cash from investing activities	363,912	751,106
Financing activities:		
Long-term debt repaid	(164,514)	(157,126)
Net change in cash from financing activities	(164,514)	(157,126)
Decrease in cash	(525,728)	(443,686)
Cash, at beginning of year	353,491	797,177
Cash, at end of year ¹	\$ (172,237)	\$ 353,491
Cash paid for interest	\$ 46,121	\$ 124,227
Cash received from interest	38,847	60,287

¹ Cash at the end of the year represents Cash and Cheques issued in excess of funds on deposit

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, 2022

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, 2022

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, 2022

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) Land inventory held for resale

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

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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.

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, 2022

2. Significant accounting policies (continued):

(j) 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.

(k) 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.

(l) 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, 2022

2. Significant accounting policies (continued):

(m) Future accounting standard pronouncements:

The following summarizes upcoming changes to public sector accounting standards issued by the Public Sector Accounting Standards Board. In 2022, 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
PS3160 <i>Public Private Partnerships</i>	April 1, 2023

3. Accounts receivable:

	2022	2021
Property Taxes		
Property taxes receivable	\$ 160,311	\$ 238,095
Provision for non-collection	(120,783)	(226,018)
	39,528	12,077
Other Receivables		
Trade receivable	123,172	124,407
Utility receivable	252,466	206,338
Due from staff, former staff, and Councillors	91,932	91,932
Grants receivable	50,000	380,844
Provision for non-collection	(108,213)	(107,379)
	409,357	696,142
	\$ 448,885	\$ 708,219

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

3. Accounts receivable (continued):

Property taxes receivable include \$122,533 (2021 - \$145,620) of balances outstanding for greater than one year. The property taxes receivable balance of \$122,533 (2021 - \$145,620) outstanding for greater than one year was fully allowed for as at December 31, 2022.

4. Investments:

	2022		2021	
	Cost	Market value	Cost	Market value
Short-term investments and deposits	\$ 27,156	\$ 27,156	\$ 32,202	\$ 32,202
Corporate, government and government guaranteed bonds	2,580,921	2,484,878	2,998,998	3,003,154
Gas Alberta Inc., 111 Class A shares, at cost	111	111	111	111
	<u>\$ 2,608,188</u>	<u>\$ 2,512,145</u>	<u>\$ 3,031,311</u>	<u>\$ 3,035,467</u>

Short-term investments and deposits have effective interest rates of 0.35% (2021 - 0.35%). Corporate, government and government guaranteed bonds have effective interest rates ranging from 2.05% to 5.40% (2021 – 1.05% to 3.30%) with maturity dates ranging from July 2024 to June 2035 (2021 - July 2023 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, 2022

5. Deposit liabilities:

	2022		2021	
Utility deposits	\$	48,912	\$	60,493
Damage deposits		22,400		22,400
	\$	71,312	\$	82,893

6. Deferred revenue:

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

Continuity of deferred revenue is as follows:

	2022		2021	
Balance at beginning of year	\$	-	\$	123,655
Government transfers received during the year		1,753,934		2,470,121
Interest earned		-		1,312
Government transfers recognized during the year		(1,670,892)		(2,595,088)
Balance, end of year	\$	83,042	\$	-

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

7. Long-term debt:

	2022		2021	
Utility supported debentures	\$	661,443	\$	825,957
	\$	661,443	\$	825,957

Debenture debt is repayable to the Province of Alberta. 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
2023	\$	172,249	\$	28,826	\$ 201,075
2024		180,347		20,727	201,074
2025		188,827		12,247	201,074
Thereafter		120,020		4,246	124,266
	\$	661,443	\$	66,046	\$ 727,489

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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:

	2022	2021
Total debt limit	\$ 5,970,805	\$ 5,350,838
Total debt	<u>661,443</u>	<u>825,957</u>
Amount by which debt limit unused	5,309,362	4,524,881
Percentage used (%)	11.08%	15.44%
Debt servicing limit	995,134	891,806
Debt servicing	<u>201,074</u>	<u>201,074</u>
Amount by which debt servicing limit unused	794,060	690,732
Percentage used (%)	20.21%	22.55%

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, 2022

9. Tangible capital assets:

	2022							
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	Total
Cost:								
Balance, beginning of year	\$ 573,772	\$ 8,944,377	\$ 11,104,379	\$ 31,602,226	\$ 2,695,698	\$ 1,371,138	\$ -	\$ 56,291,590
Internal transfers	-	-	-	-	-	-	-	-
Additions and contributions	-	113,046	-	728,122	42,042	-	6,500	889,710
Retirement	-	-	-	-	-	-	-	-
Balance, end of year	573,772	9,057,423	11,104,379	32,330,348	2,737,740	1,371,138	6,500	57,181,300
Amortization:								
Balance, beginning of year	-	1,983,834	5,166,909	13,017,506	1,737,670	758,150	-	22,664,069
Amortization	-	319,434	225,726	579,910	133,293	56,806	-	1,315,169
Contributions	-	-	-	-	-	-	-	-
Retirement	-	-	-	-	-	-	-	-
Balance, end of year	-	2,303,268	5,392,635	13,597,416	1,870,963	814,956	-	23,979,238
Net book value, end of year	\$ 573,772	\$ 6,754,155	\$ 5,711,744	\$ 18,732,932	\$ 866,777	\$ 556,182	\$ 6,500	\$ 33,202,062

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

9. Tangible capital assets (continued):

	2021							
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	Total
Cost:								
Balance, beginning of year	\$ 535,917	\$ 8,659,390	\$ 11,171,812	\$ 30,628,998	\$ 2,509,580	\$ 1,352,840	\$ 51,790	\$ 54,910,327
Internal transfers	-	-	-	51,790	-	-	(51,790)	-
Additions and contributions	37,855	284,987	-	921,439	186,118	48,617	-	1,479,016
Retirement	-	-	(67,434)	-	-	(30,320)	-	(97,754)
Balance, end of year	573,772	8,944,377	11,104,378	31,602,227	2,695,698	1,371,137	-	56,291,589
Amortization:								
Balance, beginning of year	-	1,681,438	4,959,906	12,444,995	1,616,912	732,574	-	21,435,825
Amortization	-	302,397	228,919	572,856	120,758	55,895	-	1,280,825
Contributions	-	-	-	-	-	-	-	-
Retirement	-	-	(21,917)	-	-	(30,320)	-	(52,237)
Balance, end of year	-	1,983,835	5,166,908	13,017,851	1,737,670	758,149	-	22,664,413
Net book value, end of year	\$ 573,772	\$ 6,960,542	\$ 5,937,470	\$ 18,584,376	\$ 958,028	\$ 612,988	\$ -	\$ 33,627,176

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

9. Tangible capital assets (continued):

a) Assets under construction

Assets under construction having a value of \$6,500 (2021 - \$nil) 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:

	2022	2021
Reserves	\$ 2,677,137	\$ 3,855,490
Invested in tangible capital assets	32,540,618	32,801,219
Unrestricted surplus	171,360	167,959
	\$ 35,389,115	\$ 36,824,668

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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% (2021 - 9.39%) of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 13.84% (2021 - 13.84%) thereafter. Employees of the Town are required to make current service contributions of 8.39% (2021 - 8.39%) of pensionable salary up to YMPE, and 12.84% (2021 - 12.84%) thereafter.

Total current service contributions by the Town to the LAPP in 2022 were \$65,527.96 (2021 - \$67,870.99). Total service contributions by the employees of the Town to the LAPP in 2022 were \$73,152.76 (2021 - \$75,413.65).

As at December 31, 2021, the LAPP disclosed an actuarial surplus of \$11.92 billion (2020 - \$4.96 billion). This amount was not specifically allocated to the participating government organizations. The 2022 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	2022	2021
	(Note 18)		
Taxation			
Real property taxes	\$ 554,223	\$ 549,131	\$ 641,899
Government grants in place of property taxes	13,502	10,410	6,816
Linear property taxes	23,440	23,562	23,466
	591,165	583,103	672,181
Requisitions and Other			
Alberta School Foundation Fund	109,595	120,459	160,612
Boreal Housing Foundation	9,740	9,740	21,593
Carbon Tax Levy	20,000	27,347	29,728
	139,335	157,546	211,933
Net municipal taxes	\$ 451,830	\$ 425,557	\$ 460,248

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

13. Government transfers:

	Budget	2022	2021
	(Note 18)		
Transfers for operating			
Provincial government	\$ 333,655	\$ 328,392	\$ 140,799
Federal government	6,960	6,960	19,786
Other local government	1,250,000	1,250,000	1,250,000
	1,588,655	1,585,352	1,410,585
Transfers for capital			
Provincial government	1,500,000	35,540	696,902
Federal government	166,921	50,000	487,601
	1,666,921	85,540	1,184,503
Total government transfers	\$ 3,255,576	\$ 1,670,892	\$ 2,595,088

14. Expenses by object:

	Budget	2022	2021
	(Note 18)		
Salaries, wages and benefits	\$ 1,326,640	\$ 1,327,698	\$ 1,300,586
Contracted and general services	1,305,665	1,465,225	1,518,094
Materials, goods and utilities	1,097,700	1,238,105	926,896
Transfers to local boards and agencies	64,000	93,664	66,000
Bank charges and interest	22,000	18,384	19,803
Interest on long-term debt	43,948	35,842	42,514
Amortization of tangible capital assets	-	1,314,823	1,280,825
Bad debt expense	2,000	(56,700)	9,521
Gain on sale of investments	-	69,607	(3,494)
	\$ 3,861,954	\$ 5,506,648	\$ 5,160,745

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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	2022 Total	2021 Total
Mayor Farris	\$ 16,000	\$ 1,067	\$ 17,067	\$ 20,710
Deputy Mayor/Councillor Mitchell	7,800	464	8,264	9,513
Councillor D'Aoust	7,200	416	7,616	2,124
Councillor Melville	11,000	709	11,709	2,770
Councillor Werner	8,000	472	8,472	2,993
Councillor Juneau	-	-	-	3,550
Councillor Lindley	-	-	-	3,335
CAO Fletcher	149,803	55,901	205,704	206,317
	\$ 199,803	\$ 59,029	\$ 258,832	\$ 251,312

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, 2022

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, 2022

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, 2022

17. Segmented information (continued):

	2022							
	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	\$ -	\$ -	\$ (27,347)	\$ -	\$ -	\$ -	\$ 452,904	\$ 425,557
User fees and sales of goods	2,125	14,423	1,316,798	-	4,123	1,022	370	1,338,860
Government Transfers operating	203,175	-	44,732	26,390	27,819	8,503	1,274,733	1,585,352
Rental income	-	63,110	-	4,650	-	29,274	54,383	151,417
Franchise and concession contracts	-	-	-	-	-	-	170,115	170,115
Penalties and costs of taxes	-	-	-	-	-	-	34,287	34,287
Licenses and permits	275	-	-	100	-	-	-	375
Investment income	-	-	-	-	-	-	70,759	70,759
Other	16,100	-	1,200	-	2,776	-	183,675	205,092
	221,675	77,532	1,335,383	31,140	34,719	38,799	2,242,566	3,981,814
Expenses:								
Salaries, wages and benefits	10,631	336,931	477,402	22,998	40,130	194,455	245,151	1,327,697
Contracted and general services	68,329	361,339	498,670	34,390	26,440	199,072	276,985	1,465,225
Materials, goods and utilities	190,402	231,269	651,111	-	24,821	112,270	28,232	1,238,105
Transfers to local boards and agencies	7,000	-	-	5,000	-	-	81,664	93,664
Bank charges and interest	-	-	-	-	-	-	18,384	18,384
Interest on long-term debt	-	-	35,842	-	-	-	-	35,842
Amortization of tangible capital assets	69,877	406,761	572,895	-	14,163	186,729	64,909	1,315,334
Bad debt recovery	-	-	-	-	-	-	(56,700)	(56,700)
Loss on sale of investments	-	-	-	-	-	-	69,607	69,607
	346,239	1,336,300	2,235,920	62,388	105,554	692,526	728,232	5,507,158
Other								
Government transfers - capital	-	-	-	-	-	85,540	-	85,540
Gain on disposal of assets	-	-	-	-	-	-	3,740	3,740
Annual surplus (deficit)	\$ (124,564)	\$ (1,258,768)	\$ (900,537)	\$ (31,248)	\$ (70,835)	\$ (568,187)	\$ 1,518,074	\$ (1,436,064)

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

17. Segmented information (continued):

	2021							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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 460,248	\$ 460,248
User fees and sales of goods	6,177	8,228	1,231,478	-	5,746	953	1,000	1,253,582
Government transfers - operating	-	-	55,879	25,375	52,227	8,503	1,268,601	1,410,585
Rental income	-	69,145	-	6,383	-	21,937	76,156	173,621
Franchise and concession contracts	-	-	-	-	-	-	137,352	137,352
Penalties and costs of taxes	-	-	-	-	-	-	35,604	35,604
Licenses and permits	644	-	-	350	-	-	-	994
Investment income	-	-	-	-	-	-	55,980	55,980
Other	15,014	-	1,998	-	-	318	21,929	39,259
	21,835	77,373	1,289,355	32,108	57,973	31,711	2,056,870	3,567,225
Expenses:								
Salaries, wages and benefits	10,000	312,701	474,647	28,582	34,146	219,428	221,082	1,300,586
Contracted and general services	62,497	324,819	587,838	35,600	30,471	154,237	322,632	1,518,094
Materials, goods and utilities	48,760	196,104	515,837	-	14,555	124,482	27,158	926,896
Transfers to local boards and agencies	-	-	-	-	-	-	66,000	66,000
Bank charges and interest	-	-	-	-	-	-	19,803	19,803
Interest on long-term debt	-	-	42,514	-	-	-	-	42,514
Amortization of tangible capital assets	68,102	409,581	566,019	-	14,164	159,524	63,435	1,280,825
Bad debt recovery	-	-	-	-	-	-	9,521	9,521
Gain on sale of investments	-	-	-	-	-	-	(3,494)	(3,494)
	189,359	1,243,205	2,186,855	64,182	93,336	657,671	726,137	5,160,745
Other								
Government transfers - capital	-	136,958	640,986	-	-	406,559	-	1,184,503
Loss on disposal of assets	-	-	-	-	-	-	(115,927)	(115,927)
Annual surplus (deficit)	\$ (167,524)	\$ (1,024,761)	\$ (260,627)	\$ (32,074)	\$ (35,363)	\$ (219,401)	\$ 1,214,806	\$ (524,944)

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

18. Budget:

The budget data presented in these consolidated financial statements of the Town includes the 2022 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 21, 2022.

19. Approval of financial statements:

Council and Management have approved these financial statements on April 20, 2023.