

Consolidated Financial Statements of

TOWN OF RAINBOW LAKE

Year ended December 31, 2023

TOWN OF RAINBOW LAKE

Consolidated Financial Statements

Year ended December 31, 2023

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 Financial Officer

April 29, 2024



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of the 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, 2023;
- 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, 2023, 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.



Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled the "2023 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled the "2023 Annual Report" as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada

April 30, 2024

TOWN OF RAINBOW LAKE

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash	\$ 83,504	\$ 43,312
Accounts receivable (note 3)	1,644,213	448,885
Investments (note 4)	2,263,507	2,608,188
Land inventory held for resale	219,406	219,406
	<u>4,204,750</u>	<u>3,319,791</u>
Liabilities:		
Cheques issued in excess of funds on deposit	59,666	215,549
Bank indebtedness	1,696,163	-
Accounts payable and accrued liabilities	380,966	249,565
Deposit liabilities (note 5)	54,847	71,312
Deferred revenue (note 6)	-	83,042
Asset retirement obligations (note 7)	68,750	-
Long-term debt (notes 8 and 9)	489,194	661,443
	<u>2,749,586</u>	<u>1,280,911</u>
Net financial assets	1,461,044	2,038,880
Non-financial assets:		
Tangible capital assets (note 10)	33,553,386	33,202,062
Inventories of supplies	5,409	5,409
Prepaid expenses	156,512	142,764
	<u>33,715,307</u>	<u>33,350,235</u>
Accumulated surplus (note 11)	<u>\$ 35,176,351</u>	<u>\$ 35,389,115</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, 2023, with comparative information for 2022

	Budget (Note 19)	2023	2022
Revenue:			
User fees and sales of goods	\$ 1,423,130	\$ 1,056,066	\$ 1,338,860
Net municipal taxes (note 13)	437,351	403,428	425,557
Government transfers - operating (note 14)	1,474,510	1,485,234	1,585,352
Rental income	152,570	70,374	151,417
Franchise and concession contracts	180,000	131,530	170,115
Penalties and costs of taxes	35,000	17,837	34,287
Licenses and permits	2,500	642	375
Investment income	57,500	87,667	70,759
Other	12,650	178,133	205,092
	3,775,211	3,430,911	3,981,814
Expenses (note 15):			
Protective services	97,750	1,225,671	346,237
Public Works and Transportation			
Airport services	203,515	587,682	657,239
Common services	253,626	299,781	303,936
Transportation services	303,721	335,024	375,125
Utilities			
Water supply and distribution	591,184	1,022,607	1,069,287
Natural gas supply and distribution	577,315	493,286	735,126
Waste management	244,885	236,042	233,308
Cable and internet services	181,807	202,406	197,855
Planning and development			
Planning and development	66,407	75,320	49,460
Subdivision land development	-	13,001	12,927
Family and community support	78,182	88,408	105,554
Recreation, parks and library services	443,952	648,561	692,526
Other municipal			
Administration	339,137	779,080	397,091
Legislative	92,345	64,401	175,257
Housing rentals	94,221	109,635	86,112
Loss on sale of investments	-	18,252	69,607
	3,568,047	6,199,157	5,506,647
Annual Surplus (Deficit) before other	207,164	(2,768,246)	(1,524,833)
Other:			
Government transfers - capital (note 14)	1,374,963	2,555,482	85,540
Gain (Loss) on disposal of assets	-	-	3,740
Annual surplus (deficit)	1,582,127	(212,764)	(1,435,553)
Accumulated surplus, beginning of year	35,389,115	35,389,115	36,824,668
Accumulated surplus, end of year	\$ 36,971,242	\$ 35,176,351	\$ 35,389,115

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, 2023, with comparative information for 2022

	Budget (Note 19)	2023	2022
Annual surplus (deficit)	\$ 1,582,127	\$ (212,764)	\$ (1,435,553)
Acquisition of tangible capital assets	(1,825,000)	(1,714,933)	(889,708)
Proceeds on disposal of tangible capital assets	-	-	-
Amortization of tangible capital assets	-	1,363,609	1,315,334
Loss on disposal of tangible capital assets	-	-	-
	(242,873)	(564,088)	(1,009,927)
Net use (acquisition) of prepaid expenses	-	(13,748)	(1,752)
Decrease in Inventory	-	-	6,875
	-	(13,748)	5,123
Change in net financial assets	(242,873)	(577,836)	(1,004,804)
Net financial assets, beginning of year	2,038,880	2,038,880	3,043,684
Net financial assets, end of year	\$ 1,796,007	\$ 1,461,044	\$ 2,038,880

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, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations activities:		
Annual surplus (deficit)	\$ (212,764)	\$ (1,435,553)
Items not involving cash:		
Amortization of tangible capital assets	1,363,609	1,315,334
Amortization of premium on investments	(5,216)	(3,521)
Loss on sale of investments	18,252	69,607
Change in non-cash items:		
Accounts receivable	(1,195,328)	259,335
Land held for resale	-	4,180
Accounts payable and accrued liabilities	131,401	(114,509)
Deposit liabilities	(16,465)	(11,581)
Deferred revenue	(83,042)	83,042
Prepaid expenses	(13,748)	(1,752)
Net change in cash from operating activities	(13,301)	164,582
Capital activities:		
Acquisition of tangible capital assets	(1,646,183)	(889,708)
Net change in cash from capital activities	(1,646,183)	(889,708)
Investing activities:		
Withdrawals of investments, net	331,645	363,912
Net change in cash from investing activities	331,645	363,912
Financing activities:		
Long-term debt repaid	(172,249)	(164,514)
Drawdown of line of credit	1,696,163	-
Net change in cash from financing activities	1,523,914	(164,514)
Increase/(decrease) in cash	196,075	(525,728)
Cash, at beginning of year	(172,237)	353,491
Cash, at end of year ¹	\$ 23,838	\$ (172,237)
Cash paid for interest	\$ 28,826	\$ 46,121
Cash received from interest	33,821	38,847

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, 2023

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, 2023

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, 2023

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.

(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.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(j) 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.

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.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(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) Asset retirement Obligations:

An asset retirement obligation exists when there is a legal obligation for the Town to incur costs upon the retirement of a tangible capital asset. This liability is recognized at the time the tangible capital asset is acquired or when the legal obligation comes into effect. The estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year end and using a present value technique when the cash flows required to settle the liability is expected to occur over an extended period of time.

When an asset retirement obligation is initially recognized, a corresponding asset retirement cost is added to the carrying amount of the related tangible capital asset. The asset retirement cost is then amortized over the useful life of the related asset.

At each financial reporting date, the Town recognizes the period-to-period changes to the asset retirement liability due to the passage of time as accretion expense. Changes to the retirement cost estimate arising from the revisions to the discount rate or undiscounted cash flows are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

(m) 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, 2023

2. Significant accounting policies (continued):

(n) Adoption of new accounting standards:

The following summarizes newly adopted standards put forward by the Public Sector Accounting Board ("PSAB").

i. Financial Statement Presentation

Effective January 1, 2023, the Town adopted PS1201, *Financial Statement Presentation*.

The new accounting standard requires a new statement of re-measurement gains and losses separate from the statement of operations. As the Town does not have any unrealized gains or losses in the current year, a statement of remeasurement gains and losses has not been prepared. This standard has been adopted retroactively.

ii. Foreign Currency Translation

Effective January 1, 2023, the Town adopted PS2601, *Foreign Currency Translation*.

The new accounting standard requires that monetary assets and liabilities and non-monetary items included in the fair value category that are denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. The Town has no exposure to foreign exchange risk and as such this standard has no impact on the Town.

This standard has been adopted prospectively.

iii. PS 3450 – Financial Instruments

Effective January 1, 2023, the Town adopted PS 3450 – 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.

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. The town has no exposures to derivative financial instruments during the year and has not carried any financial instrument at fair value and therefore the standard has no significant impact on the Town. This standard has been adopted prospectively.

iv. Portfolio Investments

Effective January 1, 2023, the Town adopted PS3041, *Portfolio Investments*.

This standard has removed the distinction between temporary and portfolio investments and was amended to conform to *Financial Instruments*, PS3450. Once PS3450 and PS3041 are adopted, *Temporary Investments* PS3030 will no longer apply. This standard has been adopted prospectively.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(n) Adoption of new accounting standards (continued):

The following summarizes newly adopted standards put forward by the Public Sector Accounting Board ("PSAB") (continued).

v. Asset Retirement Obligations

Effective January 1, 2023, the Town adopted PS3280, Asset Retirement Obligations.

The standard defines which activities would be included in a liability for retirement of a tangible capital asset, establishes when to recognize and how to measure a liability for asset retirement, and provides the related financial statement presentation and disclosure requirements. This new standard will effectively replace PS3270, Solid Waste Landfill Closure and Post-closure Liability. The Town has chosen to use the prospective method for adopting this standard and as such there is no restatement of prior year balances.

(o) Future Accounting Pronouncements:

The following summarizes upcoming changes to PSAS.

i. Revenue

PS3400, *Revenue* establishes standards on how to account for and report on revenue, specifically in regard to revenue arising from transactions with performance obligations (exchange transactions) and those without performance obligations (non-exchange transactions). This standard is applicable for fiscal years beginning on or after April 1, 2023.

ii. Purchased Intangibles

PS1000, *Financial Statement Concepts*, will be amended to allow for recognition of purchased intangible assets. It makes reference to the new Public Sector Guideline 8, which defines purchased intangibles and provides further guidance on recognition and accounting treatment. This guideline is applicable for fiscal years beginning on or after April 1, 2023.

iii. Public Private Partnerships

PS3160, *Public Private Partnerships*, establishes standards on how to account for certain arrangements between public and private entities. The standard provides guidance on situations where a public entity acquires infrastructure assets using a private sector partner that designs, builds, or finances the infrastructure asset past the point where it is ready for use. This standard is applicable for fiscal years beginning on or after April 1, 2023.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

3. Accounts receivable:

	2023		2022	
Property Taxes				
Property taxes receivable	\$	210,896	\$	160,311
Provision for non-collection		(85,809)		(120,783)
		125,087		39,528
Other Receivables				
Trade receivable		291,376		123,172
Utility receivable		204,409		252,466
Due from staff, former staff, and Councillors		91,932		91,932
Grants receivable		1,039,622		50,000
Provision for non-collection		(108,213)		(108,213)
		1,519,126		409,357
	\$	1,644,213	\$	448,885

Property taxes receivable include \$197,711 (2022 - \$122,533) of balances outstanding for greater than one year. The property taxes receivable balance of \$85,809 (2022 - \$120,783) outstanding for greater than three year was fully allowed for as at December 31, 2023.

4. Investments:

	2023		2022	
	Cost	Market value	Cost	Market value
Short-term investments and deposits	\$ 63,591	\$ 63,591	\$ 27,156	\$ 27,156
Corporate, government and government guaranteed bonds	2,199,805	2,163,541	2,580,921	2,484,878
Gas Alberta Inc., 111 Class A shares, at cost	111	111	111	111
	\$ 2,263,507	\$ 2,227,243	\$ 2,608,188	\$ 2,512,145

Short-term investments and deposits have effective interest rates of 4.8% (2022 - 3.5%). Corporate, government and government guaranteed bonds have effective interest rates ranging from 2.05% to 5.40% (2022 - 2.05% to 5.40%) with maturity dates ranging from August 2024 to June 2035 (2022 - July 2024 to June 2025). The Town intends to hold these securities until maturity.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

5. Deposit liabilities:

	2023		2022	
Utility deposits	\$	32,447	\$	48,912
Damage deposits		22,400		22,400
	\$	54,847	\$	71,312

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:

	2023		2022	
Balance at beginning of year	\$	83,042	\$	-
Government transfers received during the year		3,944,222		1,753,934
Interest earned		-		-
Government transfers recognized during the year		(4,027,264)		(1,670,892)
Balance, end of year	\$	-	\$	83,042

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

7. Asset retirement obligations:

The following summarizes the total net present value for the estimated costs of the Town's asset retirement obligations:

	2023		2022	
Estimated retirement liability	\$	68,750	\$	-
Liabilities settled		-		-
Accretion expense		-		-
Estimated retirement liability, end of year	\$	68,750	\$	-

The Town has not designated assets for settling its asset retirement obligations.

8. Long-term debt:

	2023		2022	
Utility supported debentures	\$	489,194	\$	661,443
	\$	489,194	\$	661,443

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
2024	\$	180,347	\$	20,727	\$ 201,074
2025		188,827		12,247	201,074
2026		120,020		4,246	124,266
	\$	489,194	\$	37,220	\$ 526,414

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

9. 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:

	2023	2022
Total debt limit	\$ 5,146,367	\$ 5,970,805
Total debt	<u>489,194</u>	<u>661,443</u>
Amount by which debt limit unused	4,657,173	5,309,362
Percentage used (%)	9.51%	11.08%
Debt servicing limit	857,727	995,134
Debt servicing	<u>201,074</u>	<u>201,074</u>
Amount by which debt servicing limit unused	656,653	794,060
Percentage used (%)	23.44%	20.21%

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, 2023

10. Tangible capital assets:

	2023							
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	Total
Cost:								
Balance, beginning of year	\$ 573,772	\$ 9,057,423	\$ 11,104,379	\$ 32,330,348	\$ 2,737,740	\$ 1,371,138	\$ 6,500	\$ 57,181,300
Internal transfers	-	-	-	6,500	-	-	(6,500)	-
Additions and contributions	-	-	1,465,451	72,295	177,187	-	-	1,714,933
Retirement	-	-	-	-	-	-	-	-
Balance, end of year	573,772	9,057,423	12,569,830	32,409,143	2,914,927	1,371,138	-	58,896,233
Amortization:								
Balance, beginning of year	-	2,303,268	5,392,635	13,597,416	1,870,963	814,956	-	23,979,238
Amortization	-	319,433	240,052	611,411	137,427	55,286	-	1,363,609
Contributions	-	-	-	-	-	-	-	-
Retirement	-	-	-	-	-	-	-	-
Balance, end of year	-	2,622,701	5,632,687	14,208,827	2,008,390	870,242	-	25,342,847
Net book value, end of year	\$ 573,772	\$ 6,434,722	\$ 6,937,143	\$ 18,200,316	\$ 906,537	\$ 500,896	\$ -	\$ 33,553,386

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

10. Tangible capital assets (continued):

	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, 2023

10. Tangible capital assets (continued):

a) Assets under construction

Assets under construction having a value of \$6,500 (2022 - \$6,500) 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.

11. Accumulated surplus:

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

	2023	2022
Reserves	\$ 2,543,013	\$ 2,677,137
Invested in tangible capital assets	32,540,453	32,540,618
Unrestricted surplus	92,885	171,360
	<u>\$ 35,176,351</u>	<u>\$ 35,389,115</u>

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

12. 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 8.45% (2022 - 8.45%) of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 12.23% (2022 - 12.80%) thereafter. Employees of the Town are required to make current service contributions of 7.45% (2022 - 7.45%) of pensionable salary up to YMPE, and 11.23% (2022 - 11.80%) thereafter.

Total current service contributions by the Town to the LAPP in 2023 were \$78,878 (2022 - \$73,364). Total service contributions by the employees of the Town to the LAPP in 2023 were \$65,878 (2022 - \$65,714).

As at December 31, 2022, the LAPP disclosed an actuarial surplus of \$11.92 billion (2021 - \$4.96 billion). This amount was not specifically allocated to the participating government organizations. The 2023 actuarial balance was not available at the date these financial statements were released.

13. Net municipal taxes:

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

	Budget (Note 19)	2023	2022
Taxation			
Real property taxes	\$ 496,976	\$ 488,465	\$ 549,131
Government grants in place of property taxes	13,410	23,860	10,410
Linear property taxes	25,029	26,763	23,562
	535,415	539,088	583,103
Requisitions and Other			
Alberta School Foundation Fund	78,057	87,193	120,459
Boreal Housing Foundation	7	7	9,740
Carbon Tax Levy	20,000	48,460	27,347
	98,064	135,660	157,546
Net municipal taxes	\$ 437,351	\$ 403,428	\$ 425,557

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

14. Government transfers:

	Budget (Note 19)	2023	2022
Transfers for operating			
Provincial government	\$ 219,510	\$ 233,914	\$ 328,392
Federal government	5,000	1,320	6,960
Other local government	1,250,000	1,250,000	1,250,000
	1,474,510	1,485,234	1,585,352
Transfers for capital			
Provincial government	1,324,963	2,555,482	35,540
Federal government	50,000	-	50,000
	1,374,963	2,555,482	85,540
Total government transfers	\$ 2,849,473	\$ 4,040,716	\$ 1,670,892

15. Expenses by object:

	Budget (Note 19)	2023	2022
Salaries, wages and benefits	\$ 1,393,237	\$ 1,674,615	\$ 1,327,698
Contracted and general services	1,084,764	1,890,039	1,465,225
Materials, goods and utilities	1,007,098	1,161,907	1,238,105
Transfers to local boards and agencies	15,000	18,520	93,664
Bank charges and interest	22,000	86,333	18,383
Interest on long-term debt	43,948	28,826	35,842
Amortization of tangible capital assets	-	1,363,609	1,314,823
Bad debt expense/(recovery)	2,000	(42,944)	(56,700)
Loss on sale of investments	-	18,252	69,607
	\$ 3,568,047	\$ 6,199,157	\$ 5,506,647

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

16. 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	2023 Total	2022 Total
Mayor Farris	\$ 16,200	\$ 788	\$ 16,988	\$ 17,067
Deputy Mayor/Councillor Melville	15,400	782	16,182	11,709
Councillor D'Aoust	4,800	146	4,946	7,616
Councillor Werner	7,600	332	7,932	8,472
Councillor Mitchell	2,800	67	2,867	8,264
CAO Fletcher	159,257	63,018	222,275	205,704
	\$ 206,057	\$ 65,133	\$ 271,190	\$ 258,832

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, 2023

17. Financial instruments and risk management:

The Town's financial instruments consist of cash, accounts receivable, land inventory held for resale, investments, cheques issued in excess of funds on deposit, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, asset retirement obligations 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.

18. 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, 2023

18. 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, 2023

18. Segmented information (continued):

	2023							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	\$ -	\$ -	\$ (-)	\$ -	\$ -	\$ -	\$ 403,428	\$ 403,428
User fees and sales of goods	-	3,680	1,050,367	-	-	1,284	735	1,056,066
Government Transfers operating	-	-	30,000	27,000	30,072	13,452	1,384,710	1,485,234
Rental income	-	35,460	-	1,260	-	30,226	3,428	70,374
Franchise and concession contracts	-	-	-	-	-	-	131,530	131,530
Penalties and costs of taxes	-	-	-	-	-	-	17,837	17,837
Licenses and permits	427	-	-	215	-	-	-	642
Investment income	-	-	-	-	-	-	87,667	87,667
Other	35,573	-	27,279	-	3,657	2,643	108,981	178,133
	36,000	39,140	1,107,646	28,475	33,729	47,605	2,138,316	3,430,911
Expenses:								
Salaries, wages and benefits	10,000	328,534	493,716	22,240	41,079	193,064	585,982	1,674,615
Contracted and general services	833,590	241,121	354,043	61,081	12,431	163,832	223,941	1,890,039
Materials, goods and utilities	311,180	246,607	455,909	-	20,735	103,193	24,283	1,161,907
Transfers to local boards and agencies	-	-	-	5,000	-	-	13,520	18,520
Bank charges and interest	-	-	-	-	-	-	86,333	86,333
Interest on long-term debt	-	-	28,826	-	-	-	-	28,826
Amortization of tangible capital assets	70,901	406,225	621,847	-	14,163	188,471	62,000	1,363,607
Bad debt recovery	-	-	-	-	-	-	(42,944)	(42,944)
Loss on sale of investments	-	-	-	-	-	-	18,252	18,252
	1,225,671	1,222,487	1,954,341	88,321	88,408	648,560	971,367	6,199,155
Other								
Government transfers - capital	1,265,897	-	1,111,102	-	-	178,483	-	2,555,482
Gain on disposal of assets	-	-	-	-	-	-	-	-
Annual surplus (deficit)	\$ 76,226	\$ (1,183,347)	\$ 264,407	\$ (59,846)	\$ (54,679)	\$ (422,472)	\$ 1,166,949	\$ (212,762)

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

18. 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	14,422	1,316,798	-	4,124	1,022	370	1,338,861
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	-	185,015	205,091
	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	245,150	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	728,231	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)	\$ 1,518,075	\$ (1,436,064)

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

19. Budget:

The budget data presented in these consolidated financial statements of the Town includes the 2023 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 6, 2023.

20. Approval of financial statements:

Council and Management have approved these financial statements on April 30, 2024.