

Consolidated Financial Statements of

TOWN OF RAINBOW LAKE

Year ended December 31, 2024

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Consolidated Financial Statements

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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 17, 2025



KPMG LLP

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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, 2024;
- 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, 2024, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font. Below the signature is a single horizontal line that starts under the "K" and ends under the "P", with a small upward tick at the right end.

Chartered Professional Accountants

Edmonton, Canada

April 17, 2025

TOWN OF RAINBOW LAKE

Consolidated Statement of Financial Position

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 58,759	\$ 87,429
Accounts receivable (note 3)	580,109	1,644,213
Investments (note 4)	1,774,541	2,199,916
Land inventory held for resale	219,406	219,406
	2,632,815	4,150,964
Liabilities:		
Revolving line of credit (note 8)	31,923	1,696,163
Accounts payable and accrued liabilities	451,361	380,966
Deposit liabilities (note 5)	54,647	54,847
Deferred revenue (note 6)	35,000	-
Asset retirement obligations (note 7)	74,012	68,750
Long-term debt (notes 8 and 9)	308,847	489,194
	955,790	2,689,920
Net financial assets	1,677,025	1,461,044
Non-financial assets:		
Tangible capital assets (note 10)	32,415,710	33,553,386
Inventories of supplies	5,409	5,409
Prepaid expenses	140,776	156,512
	32,561,895	33,715,307
Accumulated surplus (note 11)	\$ 34,238,920	\$ 35,176,351

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

Approved by:

Michelle Jarvis

Mayor

J. Melville

Councillor

TOWN OF RAINBOW LAKE

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2024, with comparative information for 2023

	Budget (Note 19)	2024	2023
Revenue:			
User fees and sales of goods	\$ 1,257,130	\$ 1,105,781	\$ 1,056,066
Net municipal taxes (note 13)	439,839	468,935	451,888
Government transfers - operating (note 14)	1,474,510	2,118,291	1,485,234
Rental income	152,570	70,162	70,374
Franchise and concession contracts	162,133	138,284	131,530
Fines and penalties	35,000	52,006	17,837
Licenses and permits	2,500	1,708	642
Investment income	82,500	78,040	87,667
Other	27,650	150,241	178,133
	3,633,832	4,183,448	3,479,371
Expenses (note 15):			
Protective services	95,735	399,274	1,225,671
Public Works and Transportation			
Airport services	220,088	590,566	587,682
Common services	222,379	353,242	299,781
Transportation services	277,747	378,659	335,024
Utilities			
Water supply and distribution	624,022	1,099,829	1,071,067
Natural gas supply and distribution	560,922	413,157	493,286
Waste management	243,488	254,017	236,042
Cable and internet services	149,115	199,798	202,406
Planning and development			
Planning and development	72,272	78,428	75,320
Subdivision land development	-	8,400	13,001
Family and community support	46,464	99,738	88,408
Recreation, parks and library services	372,405	708,986	648,561
Other municipal			
Administration	403,247	655,512	779,080
Legislative	93,444	67,273	64,401
Housing rentals	88,502	92,271	109,635
(Gain) loss on sale of investments	-	(3,015)	18,252
	3,469,830	5,396,135	6,247,617
Annual Surplus (Deficit) before Other	164,002	(1,212,687)	(2,768,246)
Other:			
Government transfers - capital (note 14)	527,439	219,306	2,555,482
Gain on disposal of assets	-	55,950	-
Annual surplus (deficit)	691,441	(937,431)	(212,764)
Accumulated surplus, beginning of year	35,176,351	35,176,351	35,389,115
Accumulated surplus, end of year	\$ 35,867,792	\$ 34,238,920	\$ 35,176,351

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, 2024, with comparative information for 2023

	Budget	2024	2023
	(Note 19)		
Annual surplus (deficit)	\$ 691,441	\$ (937,431)	\$ (212,764)
Acquisition of tangible capital assets	(534,317)	(231,581)	(1,714,933)
Proceeds on disposal of tangible capital assets	-	68,350	-
Amortization of tangible capital assets	-	1,356,857	1,363,609
Gain on disposal of tangible capital assets	-	(55,950)	
	(534,317)	1,137,676	(351,324)
Net use (acquisition) of prepaid expenses	-	15,736	(13,748)
	-	15,736	(13,748)
Change in net financial assets	157,124	215,981	(577,836)
Net financial assets, beginning of year	1,461,044	1,461,044	2,038,880
Net financial assets, end of year	\$ 1,618,168	\$ 1,677,025	\$ 1,461,044

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, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operations activities:		
Annual surplus (deficit)	\$ (937,431)	\$ (212,764)
Items not involving cash:		
Amortization of tangible capital assets	1,356,857	1,363,609
Amortization of premium on investments	4,881	5,216
Loss (gain) on sale of investments	(3,015)	18,252
Accretion expense	5,262	-
Gain on disposal of tangible capital assets	(55,950)	-
Change in non-cash items:		
Accounts receivable	1,064,104	(1,195,328)
Accounts payable and accrued liabilities	70,395	131,401
Deposit liabilities	(200)	(16,465)
Deferred revenue	35,000	(83,042)
Prepaid expenses	15,736	(13,748)
Net change in cash from operating activities	1,555,639	(2,869)
Capital activities:		
Acquisition of tangible capital assets	(231,581)	(1,646,183)
Proceeds on disposal of tangible capital assets	68,350	-
Net change in cash from capital activities	(163,231)	(1,646,183)
Investing activities:		
Purchase of investments	(1,002,562)	(146,061)
Proceeds on sale of investments	1,426,071	530,865
Net change in cash from investing activities	423,509	384,804
Financing activities:		
Long-term debt repaid	(180,347)	(172,249)
Drawdown (repayment) of line of credit	(1,664,240)	1,696,163
Net change in cash from financing activities	(1,844,587)	1,523,914
Increase (decrease) in cash	(28,670)	259,666
Cash and cash equivalents, beginning of year	87,429	(172,237)
Cash and cash equivalents, end of year	\$ 58,759	\$ 87,429
Cash paid for interest	\$ 20,727	\$ 28,826
Cash received from interest	130,552	33,821

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, 2024, with comparative information for 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. In addition to the Town's municipal government operations, consolidated entities include the Rainbow Lake Volunteer Fire Hall Department and the Town of Rainbow Lake Municipal Library Board (the "Library").

(b) Basis of accounting:

The financial statements are prepared using the accrual basis of accounting.

(i) Revenue:

Revenue from transactions with performance obligations, including user fees and sales of goods, rental income, franchise fees and concession contracts and licenses and permits is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor.

Revenue from transactions with no performance obligations, including fines and penalties, is recognized when the Town has the authority to claim or retain an inflow of economic resources resulting from a past transaction or event giving rise to an asset.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024, with comparative information for 2023

2. Significant accounting policies (continued):

Government transfers, contributions or other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase or construction of tangible capital assets. These transfers are not the result of an exchange transaction and are not expected to be repaid in the future. These 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, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability.

Tax revenues are recognized as when the tax has been authorized by bylaw and the taxable event has occurred.

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.

(ii) Expenses:

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.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024, with comparative information for 2023

2. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and cash equivalents that are highly liquid and are not subject to changes in value.

(d) Financial instruments:

The Town's financial instruments include cash, accounts receivable, investments, revolving line of credit, accounts payable and accrued liabilities and long-term debt. The carrying value of cash, accounts receivable, revolving line of credit, accounts payable and accrued liabilities and long-term debt approximate their fair values due to the short-term nature of these financial assets and liabilities. All of the Town's financial instruments are measured at cost or amortized cost in the Consolidated Statement of Financial Position.

Investment premiums and discounts for investments are amortized on a straight-line basis over the term of the respective investments.

Financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Consolidated Statement of Operations.

Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or financial liability. Transaction costs are added to the carrying value of the instruments when they are initially recognized.

Investment income is reported as revenue in the period earned.

Derivatives are recorded at fair value in the Consolidated Statement of Financial Position. Contractual obligations are evaluated for the existence of embedded derivatives. The Town recognizes embedded derivatives separately from the host contract when the economic characteristics and risk of the embedded derivative are not closely related to those of the host contract, when it meets the definition of a derivative and when the entire contract is not measured at fair value. An election can be made to either measure the entire contract at fair value or measure the value of the derivative component separately when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. The Town does not have any financial instruments that meet the definition of a derivative and has not identified any contractual obligations that contain embedded derivatives.

(e) Land inventory held for resale:

Land inventory held for resale 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, 2024, with comparative information for 2023

2. Significant accounting policies (continued):

(f) 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.

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, 2024, with comparative information for 2023

2. Significant accounting policies (continued):

(g) Pension plans:

The Town participates in a multi-employer pension plan. As such, contributions for current and past service pension benefits are recorded as expenses in the period in which they become due.

(h) Deferred revenue:

Deferred revenue represents government transfers, contributions and other amounts which have been collected, but for which the related services have yet to be performed or agreement stipulations have not been met. These amounts will be recognized as revenues when revenue recognition criteria have been met.

(i) 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 within the Consolidated Statement of Operations. 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.

(j) 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, 2024, with comparative information for 2023

2. Significant accounting policies (continued):

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Estimates include assumptions used to estimate the provision for doubtful accounts receivable, investment impairment, if any, the useful lives of tangible capital assets, the measurement of accrued liabilities and the measurement of asset retirement obligations. Actual results could differ from those estimates.

(l) Adoption of new accounting standards:

i) Revenue

Effective January 1, 2024, the Town adopted PS 3400, Revenue. This standard establishes standards on how to account for and report on revenue, specifically it differentiates between revenue arising from transactions with performance obligations (exchange transactions) and those without performance obligations (non-exchange transactions). The adoption of this standard did not have any significant impact on the Town's financial statements.

ii) Purchased intangibles

Effective January 1, 2024, the Town adopted PSG-8, Purchased Intangibles. This standard provides guidance on the recognition, accounting, and classification of purchased intangible assets. The adoption of this standard did not have any impact on the Town's financial statements.

iii) Public private partnerships

Effective January 1, 2024, the Town adopted PS 3160, Public Private Partnerships. This standard provides guidance on how to account for public private partnerships between public and private sector entities, where the public sector entity procures infrastructure using a private sector partner. The adoption of this standard did not have any impact on the Town's financial statements.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024, with comparative information for 2023

2. Significant accounting policies (continued):

(m) Future Accounting Pronouncements:

The following summarizes upcoming changes to PSAS. In 2025, the Town will continue to assess the impact and prepare for the adoption of these standards.

i) Conceptual Framework

The Revised Conceptual Framework will replace the existing conceptual framework, which consists of Section PS 1000, Financial Statement Concepts, and Section PS 1100, Financial Statement Objectives and is effective for fiscal years beginning on or after April 1, 2026, with earlier adoption permitted. The conceptual framework is to be applied prospectively.

ii) Financial Statement Presentation

PS 1202, Financial Statement Presentation, outlines a new reporting model that will build upon existing Section PS101, Financial Statement Presentation. Key changes include a new "Statement of Net Financial Assets or Liabilities" and "Statement of Changes in Net Assets or Liabilities", restructuring and updated classification for assets and liabilities on the Statement of Financial Position, and restructuring of the Statement of Cash Flows. This standard is applicable for fiscal years beginning on or after April 1, 2026 and will be adopted at the same time as the Conceptual Framework.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024, with comparative information for 2023

3. Accounts receivable:

	2024		2023	
Property Taxes				
Property taxes receivable	\$	289,352	\$	210,896
Provision for non-collection		(159,367)		(85,809)
		129,985		125,087
Other Receivables				
Trade receivable		31,030		164,200
Utility receivable		187,207		204,409
Due from staff, former staff, and Councillors		-		91,932
Government transfers receivable		144,149		1,039,622
Government remittances recoverable		27,858		22,961
Miscellaneous receivable		76,161		104,215
Provision for non-collection		(16,281)		(108,213)
		450,124		1,519,126
	\$	580,109	\$	1,644,213

The property taxes receivable balance of \$134,865 (2023 - \$85,809) outstanding for greater than three years was fully allowed for as at December 31, 2024.

4. Investments:

	2024		2023	
	Cost	Market value	Cost	Market value
Corporate, government and government guaranteed bonds	1,774,430	1,771,204	2,199,805	2,163,541
Gas Alberta Inc., 111 Class A shares, at cost	111	111	111	111
	\$ 1,774,541	\$ 1,771,315	\$ 2,199,916	\$ 2,163,652

Corporate, government and government guaranteed bonds have effective interest rates ranging from 2.15% to 5.40% (2023 - 2.05% to 5.40%) with maturity dates ranging from August 2025 to June 2035 (2023 - August 2024 to June 2035). The Town intends to hold these securities until maturity.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024, with comparative information for 2023

5. Deposit liabilities:

	2024	2023
Utility deposits	\$ 32,247	\$ 32,447
Damage deposits	22,400	22,400
	\$ 54,647	\$ 54,847

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:

	2024	2023
Balance at beginning of year	\$ -	\$ 83,042
Government transfers received during the year	2,372,597	3,944,222
Interest earned		-
Government transfers recognized during the year	(2,337,597)	(4,027,264)
Balance, end of year	\$ 35,000	\$ -

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024, with comparative information for 2023

7. Asset retirement obligations:

The Town owns and operates a water treatment plant and an ice plant that are known to have hazardous materials used within the plants that will require disposal upon asset retirement. The estimated costs related to the removal of these hazardous materials was primarily based on third party quotations, discounted to the present value using a discount rate 4.5% (2023 – 4.5%) and an inflation rate of 2% (2023 – 2%). The liabilities are adjusted for the passage of time and accretion expense is recorded in the Consolidated Statement of Operations. At December 31, 2024, the aggregate undiscounted amount of the estimated future cash flows required to settle these obligations is approximately \$160,000 (2023 - \$160,000). These obligations are expected to be settled over the next 20 years.

Changes to asset retirement obligations during the year are as follows:

	2024		2023	
Estimated retirement liability, beginning of year	\$	68,750	\$	68,750
Liabilities settled				
Accretion expense		5,262		-
Estimated retirement liability, end of year	\$	74,012	\$	68,750

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

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024, with comparative information for 2023

8. Long-term debt:

		2024		2023
Utility supported debentures	\$	308,847	\$	489,194
	\$	308,847	\$	489,194

Debenture debt is repayable to the Province of Alberta in semi-annual blended payments. The debt bears interest at rates between 4.57% and 4.70% per annum, 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
2025	\$	188,827	\$	12,247	\$	201,074
2026		120,020		4,246		124,266
	\$	308,847	\$	16,493	\$	325,340

The Town has a revolving line of credit with its bank of \$3,400,000 (2023 - \$3,400,000) The credit facility bears interest at prime plus 1.00% and the amount drawn at December 31, 2024 was \$31,923 (2023 - \$1,696,163).

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024, with comparative information for 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:

	2024	2023
Total debt limit	\$ 6,275,172	\$ 5,146,367
Total debt	<u>308,847</u>	<u>489,194</u>
Amount by which debt limit unused	5,966,325	4,657,173
Percentage used (%)	4.92%	9.51%
Debt servicing limit	1,045,862	857,727
Debt servicing	<u>201,074</u>	<u>201,074</u>
Amount by which debt servicing limit unused	844,788	656,653
Percentage used (%)	19.23%	23.44%

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 and other factors must be considered.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024, with comparative information for 2023

10. Tangible capital assets:

		2024																			
		Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	Total												
Cost:																					
Balance, beginning of year	\$	573,772	\$	9,057,423	\$	12,569,830	\$	32,409,143	\$	2,914,927	\$	1,371,138	\$	-	\$	58,896,233					
Internal transfers		-		-		-		-		-		-		-		-					
Additions and contributions		10,750		19,250		118,921		33,320		49,340		-		-		231,581					
Retirement		(12,400)		-		(67,900)		-		(252,800)		-		-		(333,100)					
Balance, end of year		572,122		9,076,673		12,620,851		32,442,463		2,711,467		1,371,138		-		58,794,714					
Amortization:																					
Balance, beginning of year		-		2,622,701		5,632,687		14,208,827		2,008,390		870,242		-		25,342,847					
Amortization		-		317,037		260,392		596,685		127,457		55,286		-		1,356,857					
Retirement		-		-		(67,900)		-		(252,800)		-		-		(320,700)					
Balance, end of year		-		2,939,738		5,825,179		14,805,512		1,883,047		925,528		-		26,379,004					
Net book value, end of year																					
	\$	572,122	\$	6,136,935	\$	6,795,672	\$	17,636,951	\$	828,420	\$	445,610	\$	-	\$	32,415,710					

Notes to Consolidated Financial Statements (continued)

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TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024, with comparative information for 2023

10. Tangible capital assets (continued):

a) 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.

b) Asset retirement obligations

Included in buildings are asset retirement costs of \$68,750 (2023 - \$68,750) and related accumulated amortization of \$3,438 (2023 - \$nil).

11. Accumulated surplus:

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

	2024	2023
Reserves	\$ 2,543,013	\$ 2,543,013
Invested in tangible capital assets	32,032,851	32,995,442
Unrestricted surplus	(336,944)	(362,104)
	<u>\$ 34,238,920</u>	<u>\$ 35,176,351</u>

The amount invested in tangible capital assets is comprised of the following:

	2024	2023
Tangible capital assets	\$ 32,415,710	\$ 33,553,386
Asset retirement obligations	(74,012)	(68,750)
Long-term debt	(308,847)	(489,194)
	<u>\$ 32,032,851</u>	<u>\$ 32,995,442</u>

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024, with comparative information for 2023

12. Local authorities pension plan:

10 (2023 - 10) 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% (2023 - 8.45%) of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 11.65% (2023 - 12.23%) thereafter. Employees of the Town are required to make current service contributions of 7.45% (2023 - 7.45%) of pensionable salary up to YMPE, and 10.65% (2023 - 11.23%) thereafter.

Total current service contributions by the Town to the LAPP in 2024 were \$73,651 (2023 - \$78,878). Total service contributions by the employees of the Town to the LAPP in 2024 were \$65,653 (2023 - \$65,878).

As at December 31, 2023, the LAPP disclosed an actuarial surplus of \$15.06 billion (2022 - \$11.92 billion). This amount was not specifically allocated to the participating government organizations. The 2024 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)	2024	2023
Taxation			
Real property taxes	\$ 504,619	\$ 515,832	\$ 488,465
Government grants in place of property taxes	13,087	23,191	23,860
Linear property taxes	26,196	26,254	26,763
	543,902	565,277	539,088
Requisitions and Other			
Alberta School Foundation Fund	98,057	90,336	87,193
Boreal Housing Foundation	6,006	6,006	7
	104,063	96,342	87,200
Net municipal taxes	\$ 439,839	\$ 468,935	\$ 451,888

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024, with comparative information for 2023

14. Government transfers:

	Budget	2024	2023
	(Note 19)		
Transfers for operating			
Provincial government	\$ 219,510	\$ 813,026	\$ 233,914
Federal government	5,000	55,265	1,320
Other local government	1,250,000	1,250,000	1,250,000
	1,474,510	2,118,291	1,485,234
Transfers for capital			
Provincial government	477,439	140,469	1,987,511
Federal government	50,000	78,837	567,971
	527,439	219,306	2,555,482
Total government transfers	\$ 2,001,949	\$ 2,337,597	\$ 4,040,716

15. Expenses by object:

	Budget	2024	2023
	(Note 19)		
Salaries, wages and benefits	\$ 1,336,535	\$ 1,442,561	\$ 1,674,615
Contracted and general services	1,095,846	1,216,190	1,890,039
Materials, goods and utilities	953,400	1,144,564	1,210,367
Transfers to local boards and agencies	16,099	15,799	18,520
Bank charges and interest	22,000	82,582	86,333
Interest on long-term debt	43,950	20,727	28,826
Amortization of tangible capital assets	-	1,356,857	1,363,609
Accretion expense	-	5,262	
Bad debt expense/(recovery)	2,000	114,608	(42,944)
(Gain) loss on sale of investments	-	(3,015)	18,252
	\$ 3,469,830	\$ 5,396,135	\$ 6,247,617

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024, with comparative information for 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	2024 Total	2023 Total
Mayor Farris	\$ 15,750	\$ 881	\$ 16,631	\$ 16,988
Deputy Mayor/Councillor Melville	11,600	642	12,242	16,182
Councillor D'Aoust	4,600	226	4,826	4,946
Councillor Werner	6,600	337	6,937	7,932
Councillor Mitchell	2,200	107	2,307	2,867
CAO Kastiro	125,340	4,917	130,257	222,275
	\$ 166,090	\$ 7,110	\$ 173,200	\$ 271,190

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, 2024, with comparative information for 2023

17. Financial instruments and risk management:

i) Credit risk

The Town is subject to credit risk with respect to cash, investments and accounts receivable. The Town's exposure to credit risk associated with cash and investments is assessed as low because the Town's cash deposits are held by Canadian Schedule 1 Chartered banks and reputable counterparties. The Town's exposure to credit risk associated with accounts receivable 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. All accounts receivable are considered for impairment based on the type of revenue and historical repayment information.

ii) Liquidity risk

Liquidity risk is the risk that the Town will not be able to meet its financial obligations as they become due. The Town's objective is to have sufficient liquidity to meet these liabilities when due. The Town monitors its cash balance and cash flows generated from operations to meet its liquidity requirements.

The liquidity risk arises from the financial liabilities consisting of accounts payable and accrued liabilities, and long-term debt. The Town's accounts payable and accrued liabilities had a carrying value of \$451,361 as at December 31, 2024 (2023 - \$380,966) and are due within the next year.

The Town's long-term debt has remaining undiscounted contractual cash flows of \$325,340 as at December 31, 2024 (2023 - \$526,414).

ii) Market risk

It is management's opinion that the Town is not exposed to significant interest or currency risks arising from financial instruments.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024, with comparative information for 2023

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.

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.

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024, with comparative information for 2023

18. Segmented information (continued):

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.

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, 2024, with comparative information for 2023

18. Segmented information (continued):

	2024						
	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 468,935
User fees and sales of goods	-	59,498	1,043,638	-	300	1,536	1,105,781
Government Transfers operating	578,800	-	45,710	75,000	34,330	28,451	2,118,291
Rental income	-	35,224	-	5,418	-	29,520	70,162
Franchise and concession contracts	-	-	-	-	-	-	138,284
Penalties and costs of taxes	-	-	-	-	-	-	52,006
Licenses and permits	220	-	-	1,488	-	-	1,708
Investment income	-	-	-	-	-	-	78,040
Other	13,283	-	10,765	-	2,875	566	150,241
	592,303	94,722	1,100,113	81,906	37,505	60,073	4,183,448
Expenses:							
Salaries, wages and benefits	10,000	345,989	569,222	24,766	51,169	241,082	1,442,561
Contracted and general services	67,139	279,500	319,033	62,062	11,545	158,161	1,216,190
Materials, goods and utilities	248,931	300,680	422,832	-	22,861	117,111	1,144,564
Transfers to local boards and agencies	-	-	-	-	-	-	15,799
Bank charges and interest	-	-	-	-	-	-	82,582
Interest on long-term debt	-	-	20,727	-	-	-	20,727
Amortization of tangible capital assets	73,204	396,298	633,552	-	14,163	188,805	1,356,857
Accretion expense	-	-	1,435	-	-	3,827	5,262
Bad debt expense	-	-	-	-	-	-	114,608
Gain on sale of investments	-	-	-	-	-	-	(3,015)
	399,274	1,322,467	1,966,801	86,828	99,738	708,986	5,396,135
Other							
Government transfers - capital	57,631	30,040	75,157	-	-	7,379	219,306
Gain on disposal of assets	-	-	-	-	-	-	55,950
Annual surplus (deficit)	\$ 250,660	\$ (1,197,705)	\$ (791,531)	\$ (4,922)	\$ (62,233)	\$ (641,534)	\$ 1,509,834
							\$ (937,431)

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024, with comparative information for 2023

18. Segmented information (continued):

	2023						
	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 451,888
User fees and sales of goods	-	3,680	1,050,367	-	-	1,284	1,056,066
Government Transfers operating	-	-	30,000	27,000	30,072	13,452	1,485,234
Rental income	-	35,460	-	1,260	-	30,226	70,374
Franchise and concession contracts	-	-	-	-	-	-	131,530
Penalties and costs of taxes	-	-	-	-	-	-	17,837
Licenses and permits	427	-	-	215	-	-	642
Investment income	-	-	-	-	-	-	87,667
Other	35,573	-	27,279	-	3,657	2,643	178,133
	36,000	39,140	1,107,646	28,475	33,729	47,605	3,479,371
Expenses:							
Salaries, wages and benefits	10,000	328,534	493,716	22,240	41,079	193,064	1,674,615
Contracted and general services	833,590	241,121	354,043	61,081	12,431	163,832	1,890,039
Materials, goods and utilities	311,180	246,607	504,369	-	20,735	103,193	1,210,367
Transfers to local boards and agencies	-	-	-	5,000	-	-	18,520
Bank charges and interest	-	-	-	-	-	-	86,333
Interest on long-term debt	-	-	28,826	-	-	-	28,826
Amortization of tangible capital assets	70,901	406,225	621,847	-	14,163	188,472	1,363,609
Bad debt recovery	-	-	-	-	-	-	(42,944)
Loss on sale of investments	-	-	-	-	-	-	18,252
	1,225,671	1,222,487	2,002,801	88,321	88,408	648,561	6,247,617
Other							
Government transfers - capital	1,265,897	-	1,111,102	-	-	178,483	2,555,482
	\$ 76,226	\$ (1,183,347)	\$ 215,947	\$ (59,846)	\$ (54,679)	\$ (422,473)	\$ 1,215,408
Annual surplus (deficit)	\$	\$	\$	\$	\$	\$	\$ (212,764)

TOWN OF RAINBOW LAKE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024, with comparative information for 2023

19. Budget:

The budget data presented in these consolidated financial statements of the Town includes the 2024 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 4, 2024.

20. Approval of financial statements:

Council and Management have approved these financial statements on April 17, 2025.

21. Comparative information:

Certain comparative information has been reclassified to conform to the current year's presentation.