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**SUMMER VILLAGE OF ISLAND LAKE SOUTH  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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*Al Scherbarth*  
Professional Corporation  
CERTIFIED MANAGEMENT ACCOUNTANT

**SUMMER VILLAGE OF ISLAND LAKE SOUTH**

**DECEMBER 31, 2012**

**CONTENTS**

	Page
AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations	3
Consolidated Statement of Change in Net Financial Assets	4
Consolidated Statement of Cash Flows	5
Schedule 1 - Schedule of Changes in Accumulated Surplus	6
Schedule 2 - Schedule of Tangible Capital Assets	7
Schedule 3 - Schedule of Property and Other Taxes	8
Schedule 4 - Schedule of Government Transfers	9
Schedule 5 - Schedule of Consolidated Expenses by Object	9
Notes to Financial Statements	10-14

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF COUNCIL OF SUMMER VILLAGE OF ISLAND LAKE SOUTH

#### *Report on the Consolidated Financial Statements*

I have audited the accompanying consolidated statements of the Summer Village of Island Lake South, which comprise the statement of financial position as at December 31, 2012, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.. My responsibility is to express an opinion on these financial statements based on my audit

#### *Management's Responsibility for the Consolidated Financial Statements.*

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

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

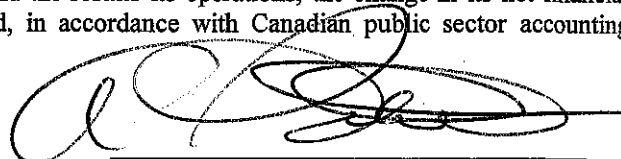
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### *Opinion*

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Summer Village as at December 31, 2012 and the results its operations, the change in its net financial assets and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

EDMONTON, ALBERTA  
MARCH 23, 2013



CERTIFIED MANAGEMENT ACCOUNTANT

**SUMMER VILLAGE OF ISLAND LAKE SOUTH  
CONSOLIDATED FINANCIAL POSITION  
DECEMBER 31, 2012**

	2012	2011
<b>ASSETS</b>		
<b>FINANCIAL ASSETS</b>		
Cash and short term investments (Note 2)	\$ 473,224	\$ 362,389
Taxes and grants in lieu receivables (Note 3)	7,368	6,590
Goods and services tax receivable	3,114	13,788
Accrued interest	-	311
	483,706	383,078
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	4,904	4,182
Prepaid taxes	-	101
Deferred revenue ( Note 5)	212,036	212,036
	216,940	216,319
<b>NET FINANCIAL ASSETS</b>	266,766	166,759
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expense	839	1,925
Tangible Capital Assets (Note 4)	421,137	440,366
	421,976	442,291
<b>ACCUMULATED SURPLUS</b>	\$ 688,742	\$ 609,050

APPROVED BY COUNCIL

\_\_\_\_\_ MAYOR

\_\_\_\_\_ COUNCILLOR

**SUMMER VILLAGE OF ISLAND LAKE SOUTH  
CONSOLIDATED STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2012**

	BUDGET	2012	2011
<b>REVENUE</b>			
Net taxes available for municipal purposes (Schedule 3)	\$ 53,344	\$ 53,344	\$ 52,492
Government transfers for operating (Schedule 4)	10,656	70,008	10,705
Return on investments	300	3,821	3,778
Penalties and costs on taxes	1,500	2,255	2,149
Sales and user charges - administration	1,500	1,715	1,683
Other revenues	350	175	43
<b>TOTAL REVENUE</b>	<b>67,650</b>	<b>131,318</b>	<b>70,850</b>
<b>EXPENSES</b>			
Recreation and parks	14,100	47,804	7,481
Administration	33,210	33,064	33,936
Amortization	19,229	19,229	27,946
Waste management	7,315	7,677	5,127
Roads streets walks lighting	5,500	5,386	1,823
Culture	5,456	5,314	5,216
Legislative	3,500	2,315	2,214
Fire and bylaws enforcement	1,400	1,774	1,026
<b>TOTAL EXPENSES</b>	<b>89,710</b>	<b>122,563</b>	<b>84,769</b>
<b>EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<b>(22,060)</b>	<b>8,755</b>	<b>(13,919)</b>
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	-	70,937	248,490
<b>EXCESS REVENUE OVER EXPENSES</b>	<b>(22,060)</b>	<b>79,692</b>	<b>234,571</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>609,050</b>	<b>609,050</b>	<b>374,479</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ 586,990</b>	<b>\$ 688,742</b>	<b>\$ 609,050</b>

**SUMMER VILLAGE OF ISLAND LAKE SOUTH  
CONSOLIDATED STATEMENT OF CHANGE IN NET  
FINANCIAL ASSETS  
YEAR ENDED DECEMBER 31, 2012**

	BUDGET	2012	2011
EXCESS OF REVENUE OVER EXPENSES	\$ (22,060)	\$ 79,692	\$ 234,571
ACQUISITION OF TANGIBLE CAPITAL ASSETS	-	-	(248,490)
AMORTIZATION OF CAPITAL ASSETS	<u>19,229</u>	<u>19,229</u>	<u>27,946</u>
	<u>19,229</u>	<u>19,229</u>	<u>(220,544)</u>
ACQUISITION OF PREPAID ASSETS	<u>-</u>	<u>1,086</u>	<u>(245)</u>
INCREASE IN NET FINANCIAL ASSETS	(2,831)	100,007	13,782
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>166,759</u>	<u>166,759</u>	<u>152,977</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u>163,928</u>	\$ <u>266,766</u>	\$ <u>166,759</u>

**SUMMER VILLAGE OF ISLAND LAKE SOUTH  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2012**

	2012	2011
<b>OPERATING</b>		
Cash received from rate payers	\$ 104,817	\$ 100,128
Cash received from Provincial government transfers	140,945	89,744
Cash received from investments	4,010	4,188
Cash paid for expenses	(90,852)	(54,456)
Cash paid for requisitions	(48,085)	(43,687)
	<u>110,835</u>	<u>95,917</u>
<b>INVESTING</b>		
Purchases of capital property	-	(248,490)
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR</b>	110,835	(152,573)
<b>NET CASH AND TEMPORARY INVESTMENT AT BEGINNING OF YEAR</b>	<u>362,389</u>	<u>514,962</u>
<b>NET CASH AND TEMPORARY INVESTMENTS AT END OF YEAR</b>	<u>\$ 473,224</u>	<u>\$ 362,389</u>

**SUMMER VILLAGE OF ISLAND LAKE SOUTH  
 SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS  
 YEAR ENDED DECEMBER 31, 2012**

**SCHEDULE 1**

	UNRESTRICTED SURPLUS	RESTRICTED SURPLUS	EQUITY IN TANGIBLE CAPITAL ASSETS	2012	2011
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 168,684	\$ -	\$ 440,366	\$ 609,050	\$ 374,479
Excess (deficiency) of revenues over expenses	79,692	-	-	79,692	234,571
Unrestricted funds designated for future use	(103,945)	103,945	-	-	-
Annual amortization expense	19,229	-	(19,229)	-	-
<b>Change in accumulated surplus</b>	<b>(5,024)</b>	<b>103,945</b>	<b>(19,229)</b>	<b>79,692</b>	<b>234,571</b>
<b>BALANCE, END OF YEAR</b>	<b>\$ 163,660</b>	<b>\$ 103,945</b>	<b>\$ 421,137</b>	<b>\$ 688,742</b>	<b>\$ 609,050</b>



**SUMMER VILLAGE OF ISLAND LAKE SOUTH  
 SCHEDULE OF TANGIBLE CAPITAL ASSETS  
 YEAR ENDED DECEMBER 31, 2012**

	Schedule 2					
	LAND	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY & EQUIPMENT	LAND IMPROVEMENTS	
						2012
						2011
<b>COST:</b>						
Balance, beginning of year	\$ 161,170	\$ 78,908	\$ 248,490	\$ 8,663	\$ 13,048	\$ 261,789
Acquisition of tangible capital assets	-	-	-	-	-	248,490
Balance, end of year	161,170	78,908	248,490	8,663	13,048	510,279
<b>ACCUMULATED AMORTIZATION:</b>						
Balance, beginning of year	-	37,238	24,849	3,897	3,929	41,967
Annual amortization	-	1,578	16,566	433	652	27,946
Balance, end of year	-	38,816	41,415	4,330	4,581	69,913
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 161,170</b>	<b>\$ 40,092</b>	<b>\$ 207,075</b>	<b>\$ 4,333</b>	<b>\$ 8,467</b>	<b>\$ 421,137</b>
						<b>\$ 440,366</b>

**SUMMER VILLAGE OF ISLAND LAKE SOUTH  
 SCHEDULE OF PROPERTY AND OTHER TAXES  
 YEAR ENDED DECEMBER 31, 2012**

	<b>SCHEDULE 3</b>		
	<b>BUDGET</b>	<b>2012</b>	<b>2011</b>
<b>TAXATION</b>			
Real property taxes	\$ 100,780	\$ 100,780	\$ 95,516
Linear property taxes	649	649	663
	<u>101,429</u>	<u>101,429</u>	<u>96,179</u>
<b>REQUISITION</b>			
Alberta School Foundation Fund	46,213	46,213	41,307
Greater North Foundation	1,872	1,872	2,380
	<u>48,085</u>	<u>48,085</u>	<u>43,687</u>
<b>NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES</b>	<u>\$ 53,344</u>	<u>\$ 53,344</u>	<u>\$ 52,492</u>

**SUMMER VILLAGE OF ISLAND LAKE SOUTH  
SCHEDULE OF GOVERNMENT TRANSFERS  
YEAR ENDED DECEMBER 31, 2012**

	SCHEDULE 4		
	BUDGET	2012	2011
<b>TRANSFERS FOR OPERATING</b>			
Provincial government	\$ 10,656	\$ 70,008	\$ 10,705
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	-	70,937	248,490
<b>TOTAL GOVERNMENT TRANSFERS</b>	<b>\$ 10,656</b>	<b>\$ 140,945</b>	<b>\$ 259,195</b>

**CONSOLIDATED SCHEDULE OF EXPENDITURES BY OBJECT  
YEAR ENDED DECEMBER 31, 2012**

	SCHEDULE 5		
	BUDGET	2012	2011
<b>EXPENSES</b>			
Contracted and general services	\$ 38,000	\$ 37,966	\$ 21,039
Materials goods supplies and utilities	12,981	33,836	2,776
Amortization	19,229	19,229	27,946
Salaries wages and benefits	16,500	16,428	20,062
Other	3,000	15,104	12,947
<b>TOTAL EXPENDITURE</b>	<b>\$ 89,710</b>	<b>\$ 122,563</b>	<b>\$ 84,770</b>

# SUMMER VILLAGE OF ISLAND LAKE SOUTH

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED DECEMBER 31, 2012

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#### 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Summer Village of Island Lake South are the representatives of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Summer Village are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations of all of the organizations that are owned or controlled by the Summer Village Council for the administration of their financial affairs and resources.

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon the receipt of goods and services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and 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 of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(c) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(d) Investments

Investments are recorded at amortized cost.

(e) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates as of the amounts can be determined.

**SUMMER VILLAGE OF ISLAND LAKE SOUTH  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

- (f) **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.
- (g) **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 normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.
- (h) **Tangible Capital Assets**  
 Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Buildings	50 years
Engineered structures - roads	15 years
Machinery and equipment	20 years
Land and improvements	20 years

**2. CASH AND SHORT TERM INVESTMENTS**

	2012	2011
Cash	\$ 467,338	\$ 315,135
Guaranteed Investment Certificates	<u>5,886</u>	<u>47,254</u>
	<u>\$ 473,224</u>	<u>\$ 362,389</u>

Short term investment has an interest rate of 2.15 % and matures in 2013.

**3. TAXES AND GRANTS IN LIEU RECEIVABLES**

	2012	2011
<b>Current:</b>		
Current taxes	\$ 6,510	\$ 5,092
<b>Non- current:</b>		
Tax arrears	<u>858</u>	<u>1,498</u>
	<u>\$ 7,368</u>	<u>\$ 6,590</u>

**SUMMER VILLAGE OF ISLAND LAKE SOUTH  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2012**

**4. TANGIBLE CAPITAL ASSETS**

	<u>Net 2012</u>	<u>Net 2011</u>
Land	\$ 161,170	\$ 161,170
Engineering structures - roads	207,075	223,641
Machinery & equipment	4,333	4,766
Buildings	40,092	41,670
Land Improvements	<u>8,467</u>	<u>9,119</u>
	<u>\$ 421,137</u>	<u>\$ 440,366</u>

**5. DEFERRED REVENUE**

	<b>2012</b>	<b>2011</b>
Municipal sustainability initiative - Capital	\$ 157,138	\$ 157,138
Street improvement grant	23,000	23,000
New Deal for communities	<u>31,898</u>	<u>31,898</u>
	<u>\$ 212,036</u>	<u>\$ 212,036</u>

**6. SALARY & BENEFITS DISCLOSURE**

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by provincial regulation is as follows:

	<u>2012</u>			<u>2011</u>
	Salary	Allowances	Total	Total
Mayor:				
Jim Sandmaier	\$ 150	\$ 475	\$ 625	525
Councillors:				
Shelly Gurba	250	150	400	614
Gary Tym	450	840	1,290	1,075
Village Administrator	12,900	1,213	14,113	13,308

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

(2) Benefits and allowances figures also include the Employer's share of the costs of additional taxable benefits including travel allowance.

**SUMMER VILLAGE OF ISLAND LAKE SOUTH  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2012**

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**7. CONTINGENCIES**

The Summer Village of Island Lake South is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of membership, the Summer Village of Island Lake South could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

**8. FINANCIAL INSTRUMENTS**

The Summer Village's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. It is management's opinion that the Summer Village is not exposed to significant interest or currency risks arising from these financial instruments.

The Summer Village is subject to credit risk with respect to taxes, trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Summer Village provides services may experience financial difficulty and be unable to fulfill their obligations. The number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

**9. DEBT LIMITS**

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

Total debt limit	\$ 196,977
Total debt	<u>-</u>
Amount total debt limit unused	<u>\$ 196,977</u>
Debt servicing limit	\$ 32,830
Debt servicing	<u>-</u>
Amount of debt servicing limit unused	<u>\$ 32,830</u>

The debt limit is calculated at 1.5 times revenue of the municipality (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 municipality. Rather, the financial statements must be interpreted as a whole.

**SUMMER VILLAGE OF ISLAND LAKE SOUTH  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2012**

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**10. EQUITY IN TANGIBLE CAPITAL ASSETS**

	Net <u>2012</u>	Net <u>2011</u>
Tangible capital assets (Schedule 1)	\$ 510,279	\$ 510,279
Accumulated amortization (Schedule 1)	<u>(89,142)</u>	<u>(69,913)</u>
	<u>\$ 421,137</u>	<u>\$ 440,366</u>

**11. FINANCIAL INSTRUMENTS**

The Summer Village's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable and accrued liabilities and long-term debt. It is management's opinion that the Summer Village is not exposed to significant interest or currency risks arising from these financial instruments.

The Summer Village is subject to credit risk with respect to taxes, trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Summer Village provides services may experience financial difficulty and be unable to fulfill their obligations. The diversity of taxpayers and customers minimizes the credit risk. Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

**12. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.

**13. COMPARATIVE FIGURES**

The comparative figures were prepared and reported upon by another auditing firm. Presentation has been revised to conform with the current year's presentation.