
**SUMMER VILLAGE OF ISLAND LAKE SOUTH
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

SUMMER VILLAGE OF ISLAND LAKE SOUTH

DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

TO THE COUNCIL OF SUMMER VILLAGE OF ISLAND LAKE SOUTH

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Summer Village of Island Lake South, which comprise the statement of financial position as at December 31, 2018, and the results of its operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Summer Village of Island Lake South as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Summer Village in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

Management is responsible for the preparation and fair presentation of these 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 Summer Village'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 Summer Village or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 omission, misrepresentation, or 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 Summer Village'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 Summer Village's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Summer Village 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.

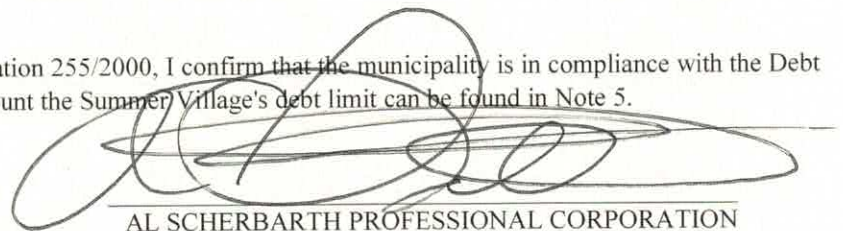
I will communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation
- In accordance with Alberta Regulation 255/2000, I confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account the Summer Village's debt limit can be found in Note 5.

EDMONTON, ALBERTA
APRIL 11, 2019



AL SCHERBARTH PROFESSIONAL CORPORATION

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
CONSOLIDATED FINANCIAL POSITION
DECEMBER 31, 2018**

	2018	2017
FINANCIAL ASSETS		
Cash (Note 2)	\$ 368,563	\$ 288,050
Receivables		
Taxes receivable (Note 3)	11,610	15,956
Good and services tax receivable	12,658	13,438
	392,831	317,444
LIABILITIES		
Accounts payable and accrued liabilities	7,136	5,261
Prepaid taxes	221	1,068
Deferred revenue (Note 5)	226,707	161,317
	234,064	167,646
NET FINANCIAL ASSETS	158,767	149,798
NON-FINANCIAL ASSETS		
Tangible Capital Assets	709,762	760,835
Prepaid expense	2,664	2,758
	712,426	763,593
ACCUMULATED SURPLUS (Schedule 1)	\$ 871,193	\$ 913,391

**RESTATED
NOTE 9**

APPROVED BY COUNCIL

MAYOR

COUNCILLOR

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2018**

	BUDGET	2018	2017
REVENUE			
Net municipal taxes (Schedule 3)	\$ 77,169	\$ 77,025	\$ 74,082
Government transfers for operating (Schedule 4)	6,661	7,898	6,659
Penalties and costs of taxes	2,000	4,599	3,245
Investment income	900	913	270
User fees and sale of goods	3,831	175	1,374
ALARIE insurance allocation	-	-	8,100
TOTAL REVENUE	90,561	90,610	93,730
EXPENSES			
Amortization	-	51,073	51,522
Administration	49,915	44,075	43,993
Parks and recreation	11,700	30,171	21,698
Waste management	15,023	15,023	14,344
Roads, streets, walks and lighting	5,000	6,055	5,191
Culture	3,878	4,103	3,988
Legislative	3,500	3,869	5,439
Fire and bylaws enforcement	1,545	1,545	2,033
Family and community support	-	679	679
TOTAL EXPENSES	90,561	156,593	148,887
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	-	(65,983)	(55,157)
OTHER			
Government transfers for capital (Schedule 4)	-	23,785	28,451
EXCESS OF REVENUE OVER EXPENSES	-	(42,198)	(26,706)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	913,391	913,391	940,097
ACCUMULATED SURPLUS, END OF YEAR	\$ 913,391	\$ 871,193	\$ 913,391

RESTATED
NOTE 9

SUMMER VILLAGE OF ISLAND LAKE SOUTH
CONSOLIDATED STATEMENT OF CHANGE IN NET
FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2018

	BUDGET	2018	2017
EXCESS OF REVENUE OVER EXPENSES	\$ -	\$ (42,198)	\$ (26,706)
ACQUISITION OF TANGIBLE CAPITAL ASSETS	-	-	(15,008)
AMORTIZATION OF TANGIBLE CAPITAL ASSETS	<u>-</u>	<u>51,073</u>	<u>51,522</u>
	<u>-</u>	<u>51,073</u>	<u>36,514</u>
USE OF PREPAID ASSETS	<u>-</u>	<u>94</u>	<u>(52)</u>
INCREASE IN NET FINANCIAL ASSETS	-	8,969	9,756
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>149,798</u>	<u>149,798</u>	<u>140,042</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 149,798</u>	<u>\$ 158,767</u>	<u>\$ 149,798</u>

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

	2018	2017
OPERATING		
Excess of revenues over expenditures	\$ (42,198)	\$ (26,706)
Amortization	51,073	51,522
Non-cash changes to operations (net change):		
Decrease (increase) in taxes receivable	4,346	(911)
Decrease (increase) in trade and other receivables	-	16,370
Decrease (increase) in Goods and services tax receivable	780	-
Increase (decrease) in accounts payable and accrued liabilities	1,875	(3,651)
Increase (decrease) in prepaid taxes	(847)	180
Increase (decrease) in deferred revenue	65,390	(1,901)
Decrease (increase) in prepaid expenses	94	(51)
Cash provided by operating transactions	80,513	34,852
CAPITAL		
Purchases of tangible capital assets	-	(15,008)
CHANGE IN CASH DURING YEAR	80,513	19,844
CASH, BEGINNING OF YEAR	288,050	268,206
CASH, END OF YEAR (Note 2)	\$ 368,563	\$ 288,050

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2018**

SCHEDULE 1

	UNRESTRICTED SURPLUS	EQUITY IN TANGIBLE CAPITAL ASSETS	2018	2017
BALANCE, BEGINNING OF YEAR	\$ 152,556	\$ 760,835	\$ 913,391	\$ 940,097
Excess (deficiency) of revenues over expenses	(42,198)	-	(42,198)	(26,706)
Annual amortization expense	51,073	(51,073)	-	-
BALANCE, END OF YEAR	161,431	709,762	871,193	913,391

**RESTATE
NOTE 9**

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2018**

SCHEDULE 2

	LAND	BUILDING	ENGINEERED STRUCTURES	MACHINERY & EQUIPMENT	2018	2017
COST:						
Balance, beginning of year	\$ 161,170	\$ 78,908	\$ 721,015	\$ 36,056	\$ 997,149	\$ 982,141
Acquisition of tangible capital assets	-	-	-	-	-	15,008
Balance, end of year	161,170	78,908	721,015	36,056	997,149	997,149
ACCUMULATED AMORTIZATION:						
Balance, beginning of year		46,706	180,192	9,416	236,314	186,140
Annual amortization	-	\$ 1,578	48,068	\$ 1,427	51,073	50,174
Balance, end of year	-	48,284	228,260	10,843	287,387	236,314

NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 161,170	\$ 30,624	\$ 492,755	\$ 25,213	\$ 709,762	\$ 760,835
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**RESTATED
NOTE 9**

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
SCHEDULE OF PROPERTY AND OTHER TAXES
YEAR ENDED DECEMBER 31, 2018**

	SCHEDULE 3		
	BUDGET	2018	2017
TAXATION			
Real property taxes	\$ 138,477	\$ 138,333	\$ 133,715
Linear property taxes	645	645	633
	139,122	138,978	134,348
REQUISITION			
Alberta School Foundation Fund	59,284	59,284	58,256
Greater North Foundation	2,669	2,669	2,010
	61,953	61,953	60,266
NET MUNICIPAL TAXES	\$ 77,169	\$ 77,025	\$ 74,082

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
SCHEDULE OF GOVERNMENT TRANSFERS
YEAR ENDED DECEMBER 31, 2018**

	SCHEDULE 4		
	BUDGET	2018	2017
TRANSFERS FOR OPERATING			
Provincial government	\$ 6,661	\$ 7,898	\$ 6,659
TRANSFERS FOR CAPITAL			
Provincial government	-	23,785	28,451
TOTAL GOVERNMENT TRANSFERS	\$ 6,661	\$ 31,683	\$ 35,110

**CONSOLIDATED SCHEDULE OF EXPENDITURES BY OBJECT
YEAR ENDED DECEMBER 31, 2018**

	SCHEDULE 5		
	BUDGET	2018	2017
EXPENSES			
Contracted and general services	\$ 59,368	\$ 77,454	\$ 68,503
Amortization of tangible capital assets	-	51,073	51,522
Salaries wages and benefits	22,600	20,000	20,180
Other	3,878	4,103	3,988
Materials goods and utilities	4,715	3,963	4,694
TOTAL EXPENDITURE	\$ 90,561	\$ 156,593	\$ 148,887

SUMMER VILLAGE OF ISLAND LAKE SOUTH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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 Chartered Professional Accountants Canada.

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.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipality reporting entity.

(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 of the amounts can be determined.

SUMMER VILLAGE OF ISLAND LAKE SOUTH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Tax Revenue

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

Requisitions operate as flow through and are excluded from municipal revenue.

(g) 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.

(h) 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.

(i) 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	10-20 years
Machinery and equipment	5-10 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

2. CASH

	2018	2017
Cash	\$ <u>368,563</u>	\$ <u>288,050</u>

Cash includes cash in the bank and temporary investments with original maturities of three months or less.

SUMMER VILLAGE OF ISLAND LAKE SOUTH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

3. TAXES RECEIVABLE

	2018	2017
Current taxes	\$ 11,204	\$ 5,948
Arrears	<u>406</u>	<u>10,008</u>
	<u>\$ 11,610</u>	<u>\$ 15,956</u>

4. DEFERRED REVENUE

	2018	2017
Municipal Sustainability Grant - Capital	\$ 218,343	\$ 161,317
Federal Gas Tax Fund	<u>8,364</u>	<u>-</u>
	<u>\$ 226,707</u>	<u>\$ 161,317</u>

This funding was received in prior years from the Municipal Sustainability Initiative. This funding is restricted to eligible capital projects, as approved under the funding agreement, which are scheduled for completion in 2019.

5. 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:

	2018	2017
Total debt limit	\$ 135,915	\$ 140,595
Total debt	<u>-</u>	<u>-</u>
Amount total debt limit unused	<u>\$ 135,915</u>	<u>140,595</u>
Debt servicing limit	\$ 22,653	23,433
Debt servicing	<u>-</u>	<u>-</u>
Amount of debt servicing limit unused	<u>\$ 22,653</u>	<u>23,433</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
DECEMBER 31, 2018

6. EQUITY IN TANGIBLE CAPITAL ASSETS

	Net 2018	Net 2017
Tangible capital assets (Schedule 2)	\$ 997,149	\$ 997,149
Accumulated amortization (Schedule 2)	<u>(287,387)</u>	<u>(236,314)</u>
	<u>\$ 709,762</u>	<u>\$ 760,835</u>

7. ACCUMULATED SURPLUS

	2018	2017
Unrestricted surplus	\$ 161,431	\$ 152,556
Equity in tangible capital assets	<u>709,762</u>	<u>760,835</u>
	<u>\$ 871,193</u>	<u>\$ 913,391</u>

8. 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:

	Salary	Benefits Allowances	2018 Total	2017 Total
Councillors:				
Lori Barr	\$ 1,000	\$ 410	\$ 1,410	\$ 2,059
Jim Sandmaier	500	300	800	1,846
Gary Tym	900	759	1,659	1,534
Village Administrator	\$ 17,600	\$ 987	\$ 18,587	\$ 17,816

(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

9. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to reflect the current year financial statement presentation.

SUMMER VILLAGE OF ISLAND LAKE SOUTH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

10. FINANCIAL INSTRUMENTS

The Summer Village's financial instruments consist of cash, taxes and grants in place of taxes, accounts receivable, accounts payable and accrued liabilities, prepaid taxes and deferred revenue. It is management's opinion that the Summer Village is not exposed to significant interest or current risks arising from these financial instruments.

The Summer Village is subject to credit risk with respect to taxes receivables and 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.

11. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements. The budgeted figures have been presented for information purposes and are unaudited.