
**SUMMER VILLAGE OF ISLAND LAKE SOUTH
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Al Scherbarth
Professional Corporation
CERTIFIED MANAGEMENT ACCOUNTANT

SUMMER VILLAGE OF ISLAND LAKE SOUTH

DECEMBER 31, 2013

CONTENTS

	Page
INDEPENDENT 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

Al Scherbarth

Professional Corporation

CERTIFIED MANAGEMENT ACCOUNTANT

#2020, Sun Life Place
10123 - 99 Street
Edmonton, Alberta
T5J 3H1
Tel: (780) 426-6446
Fax: (780) 428-1563
email: aspc@telus.net

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, 2013, 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, 2013, 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 21, 2014



CERTIFIED MANAGEMENT ACCOUNTANT

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
CONSOLIDATED FINANCIAL POSITION
DECEMBER 31, 2013**

	2013	2012
ASSETS		
FINANCIAL ASSETS		
Cash and short term investments (Note 2)	\$ 550,852	\$ 473,224
Taxes and grants in lieu receivables (Note 3)	5,946	7,368
Goods and services tax receivable	2,234	3,114
	559,032	483,706
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	4,970	4,904
Prepaid taxes	1,117	-
Deferred revenue (Note 5)	142,648	212,036
	148,735	216,940
NET FINANCIAL ASSETS	410,297	266,766
NON-FINANCIAL ASSETS		
Prepaid expense	1,571	839
Tangible Capital Assets (Note 4)	401,908	421,137
	403,479	421,976
ACCUMULATED SURPLUS	\$ 813,776	\$ 688,742

APPROVED BY COUNCIL

_____ MAYOR

_____ COUNCILLOR

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2013**

	BUDGET	2013	2012
REVENUE			
Net taxes available for municipal purposes (Schedule 3)	\$ 54,519	\$ 54,519	\$ 53,344
Government transfers for operating (Schedule 4)	102,310	100,273	70,008
Return on investments	2,000	2,258	3,821
Penalties and costs on taxes	2,100	2,081	2,255
Sales and user charges - administration	1,700	1,110	1,715
Other revenues	-	92	175
TOTAL REVENUE	162,629	160,333	131,318
EXPENSES			
Administration	34,960	42,352	33,064
Recreation and parks	20,002	20,705	47,804
Amortization	19,229	19,229	19,229
Waste management	7,118	7,118	7,677
Roads streets walks lighting	4,100	5,620	5,386
Culture	5,207	5,207	5,314
Legislative	3,500	2,450	2,315
Fire and bylaws enforcement	2,054	1,591	1,774
TOTAL EXPENSES	96,170	104,272	122,563
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	66,459	56,061	8,755
OTHER			
Government transfers for capital (Schedule 4)	68,973	68,973	70,937
EXCESS REVENUE OVER EXPENSES	135,432	125,034	79,692
ACCUMULATED SURPLUS, BEGINNING OF YEAR	688,742	688,742	609,050
ACCUMULATED SURPLUS, END OF YEAR	\$ 824,174	\$ 813,776	\$ 688,742

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
CONSOLIDATED STATEMENT OF CHANGE IN NET
FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2013**

	BUDGET	2013	2012
EXCESS OF REVENUE OVER EXPENSES	\$ <u>135,432</u>	\$ <u>125,034</u>	\$ <u>79,692</u>
AMORTIZATION OF CAPITAL ASSETS	<u>19,229</u>	<u>19,229</u>	<u>19,229</u>
ACQUISITION OF PREPAID ASSETS	<u>(800)</u>	<u>(732)</u>	<u>1,086</u>
INCREASE IN NET FINANCIAL ASSETS	154,661	143,531	100,007
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>266,766</u>	<u>266,766</u>	<u>166,759</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u>421,427</u>	\$ <u>410,297</u>	\$ <u>266,766</u>

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013**

	2013	2012
OPERATING		
Cash received from rate payers	\$ 108,426	\$ 104,817
Cash received from Provincial government transfers	99,246	140,945
Cash received from investments	2,258	4,010
Cash paid for expenses	(84,217)	(90,852)
Cash paid for requisitions	(48,085)	(48,085)
	<u>77,628</u>	<u>110,835</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR	77,628	110,835
NET CASH AND TEMPORARY INVESTMENT AT BEGINNING OF YEAR	<u>473,224</u>	<u>362,389</u>
NET CASH AND TEMPORARY INVESTMENTS AT END OF YEAR	<u>\$ 550,852</u>	<u>\$ 473,224</u>

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
 SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
 YEAR ENDED DECEMBER 31, 2013**

SCHEDULE 1

	UNRESTRICTED SURPLUS	RESTRICTED SURPLUS	EQUITY IN TANGIBLE CAPITAL ASSETS	2013	2012
BALANCE, BEGINNING OF YEAR	\$ 163,660	\$ 103,945	\$ 421,137	\$ 688,742	\$ 609,050
Excess (deficiency) of revenues over expenses	125,034	-	-	125,034	79,692
Unrestricted funds designated for future use	(292,217)	292,217	-	-	-
Annual amortization expense	19,229	-	(19,229)	-	-
Change in accumulated surplus	(147,954)	292,217	(19,229)	125,034	79,692
BALANCE, END OF YEAR	\$ 15,706	\$ 396,162	\$ 401,908	\$ 813,776	\$ 688,742

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
 SCHEDULE OF TANGIBLE CAPITAL ASSETS
 YEAR ENDED DECEMBER 31, 2013**

	Schedule 2					
	<u>LAND</u>	<u>BUILDINGS</u>	<u>ENGINEERED STRUCTURES</u>	<u>MACHINERY & EQUIPMENT</u>	<u>LAND IMPROVEMENTS</u>	2012
COST:						
Balance, beginning of year	\$ 161,170	\$ 78,908	\$ 248,490	\$ 8,663	\$ 13,048	\$ 510,279
Balance, end of year	161,170	78,908	248,490	8,663	13,048	510,279
ACCUMULATED AMORTIZATION:						
Balance, beginning of year	-	38,816	41,415	4,330	4,581	69,913
Annual amortization	-	1,578	16,566	433	652	19,229
Balance, end of year	-	40,394	57,981	4,763	5,233	89,142
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 161,170	\$ 38,514	\$ 190,509	\$ 3,900	\$ 7,815	\$ 421,137

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
 SCHEDULE OF PROPERTY AND OTHER TAXES
 YEAR ENDED DECEMBER 31, 2013**

SCHEDULE 3

	BUDGET	2013	2012
TAXATION			
Real property taxes	\$ 110,249	\$ 110,269	\$ 100,780
Linear property taxes	673	653	649
	110,922	110,922	101,429
REQUISITION			
Alberta School Foundation Fund	54,941	54,941	46,213
Greater North Foundation	1,462	1,462	1,872
	56,403	56,403	48,085
NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES	\$ 54,519	\$ 54,519	\$ 53,344

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
 SCHEDULE OF GOVERNMENT TRANSFERS
 YEAR ENDED DECEMBER 31, 2013**

SCHEDULE 4

	BUDGET	2013	2012
TRANSFERS FOR OPERATING			
Provincial government	\$ 33,337	\$ 100,273	\$ 70,008
TRANSFERS FOR CAPITAL			
Provincial government	68,973	68,973	70,937
TOTAL GOVERNMENT TRANSFERS	\$ 102,310	\$ 169,246	\$ 140,945

**CONSOLIDATED SCHEDULE OF EXPENDITURES BY OBJECT
 YEAR ENDED DECEMBER 31, 2013**

SCHEDULE 5

	BUDGET	2013	2012
EXPENSES			
Contracted and general services	\$ 37,960	\$ 43,761	\$ 37,966
Salaries wages and benefits	23,000	22,900	16,428
Amortization	19,229	19,229	19,229
Materials goods supplies and utilities	12,981	10,737	33,836
Other	3,000	7,645	15,104
TOTAL EXPENDITURE	\$ 96,170	\$ 104,272	\$ 122,563

SUMMER VILLAGE OF ISLAND LAKE SOUTH

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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, 2013**

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

	2013	2012
Cash	\$ 544,841	\$ 467,338
Guaranteed Investment Certificates	<u>6,011</u>	<u>5,886</u>
	<u>\$ 550,852</u>	<u>\$ 473,224</u>

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

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	2013	2012
Current:		
Current taxes	\$ 4,163	\$ 6,510
Non-current:		
Tax arrears	<u>1,783</u>	<u>858</u>
	<u>\$ 5,946</u>	<u>\$ 7,368</u>

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2013**

4. TANGIBLE CAPITAL ASSETS

	<u>Net 2013</u>	<u>Net 2012</u>
Land	\$ 161,170	\$ 161,170
Engineering structures - roads	190,509	207,075
Machinery & equipment	3,900	4,333
Buildings	38,514	40,092
Land Improvements	<u>7,815</u>	<u>8,467</u>
	<u>\$ 401,908</u>	<u>\$ 421,137</u>

5. DEFERRED REVENUE

	<u>2013</u>	<u>2012</u>
Municipal sustainability initiative - Capital	\$ 87,138	\$ 157,138
Street improvement grant	23,000	23,000
New Deal for communities	<u>32,510</u>	<u>31,898</u>
	<u>\$ 142,648</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>2013</u>			<u>2012</u>
	Salary	Allowances	Total	Total
Mayor:				
Jim Sandmaier	\$ 450	\$ 225	\$ 675	625
Councillors:				
Shelly Gurba	150	75	225	400
Gary Tym	375	600	975	1,290
Lori Barr	225	350	575	-
Village Administrator	13,500	1,218	14,718	14,113

(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, 2013**

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	\$ 240,500
Total debt	<u>-</u>
Amount total debt limit unused	<u>\$ 240,500</u>
Debt servicing limit	\$ 40,083
Debt servicing	<u>-</u>
Amount of debt servicing limit unused	<u>\$ 40,083</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, 2013**

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	Net <u>2013</u>	Net <u>2012</u>
Tangible capital assets (Schedule 1)	\$ 510,279	\$ 510,279
Accumulated amortization (Schedule 1)	<u>(108,371)</u>	<u>(89,142)</u>
	<u>\$ 401,908</u>	<u>\$ 421,137</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.