
**SUMMER VILLAGE OF ISLAND LAKE SOUTH
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

SUMMER VILLAGE OF ISLAND LAKE SOUTH

DECEMBER 31, 2016

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

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, 2016, 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.

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.

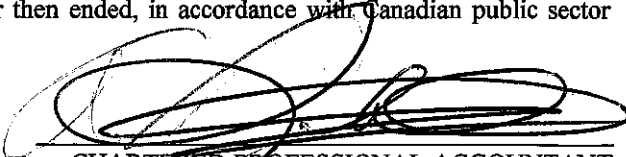
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the consolidated financial statements, 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 of Island Lake South as at December 31, 2016 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
APRIL 21, 2017



CHARTERED PROFESSIONAL ACCOUNTANT

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
CONSOLIDATED FINANCIAL POSITION
DECEMBER 31, 2016**

	<u>2016</u>	2015
FINANCIAL ASSETS		
Cash (Note 2)	\$ 268,206	\$ 445,016
Taxes and grants in place of taxes (Note 3)	15,045	10,281
Goods and services tax receivable	29,807	9,806
	<u>313,058</u>	<u>465,103</u>
LIABILITIES		
Accounts payable and accrued liabilities	8,912	3,905
Prepaid taxes	887	-
Deferred revenue (Note 4)	163,218	55,510
	<u>173,017</u>	<u>59,415</u>
NET FINANCIAL ASSETS	140,041	405,688
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Schedule 2, Note 7)	818,453	516,076
Prepaid expense	2,708	3,535
	<u>821,161</u>	<u>519,611</u>
ACCUMULATED SURPLUS (Schedule 1, Note 5)	<u>\$ 961,202</u>	<u>\$ 925,299</u>

Contingencies (Note 9)

APPROVED BY COUNCIL

_____ MAYOR

_____ COUNCILLOR

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2016**

	<u>BUDGET</u>	<u>2016</u>	2015
REVENUE			
Net municipal taxes (Schedule 3)	\$ 74,368	\$ 74,218	\$ 75,118
Government transfers for operating (Schedule 4)	8,103	32,175	17,016
Penalties and costs of taxes	2,200	1,970	3,559
User fees and sale of goods	-	1,452	1,122
Investment income	1,500	908	1,809
Other revenues	600	75	100
TOTAL REVENUE	86,771	110,798	98,724
EXPENSES			
Amortization	-	39,743	23,568
Administration	42,475	39,118	41,665
Parks and recreation	11,700	32,496	15,158
Waste management	15,100	12,984	15,023
Fire and bylaws enforcement	5,150	6,962	5,093
Legislative	3,500	3,425	2,695
Roads, streets, walks and lighting	5,000	3,300	4,589
Culture	1,977	1,890	1,589
Land use zoning, planning and development	-	359	-
Family and community support	-	-	-
TOTAL EXPENSES	84,902	140,277	109,380
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	1,869	(29,479)	(10,656)
OTHER			
Government transfers for capital (Schedule 4)	-	65,382	17,381
EXCESS OF REVENUE OVER EXPENSES	1,869	35,903	6,725
ACCUMULATED SURPLUS, BEGINNING OF YEAR	925,299	925,299	918,574
ACCUMULATED SURPLUS, END OF YEAR	\$ 927,168	\$ 961,202	\$ 925,299

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
CONSOLIDATED STATEMENT OF CHANGE IN NET
FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2016**

	<u>BUDGET</u>	<u>2016</u>	2015
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ <u>1,869</u>	\$ <u>35,903</u>	\$ <u>6,725</u>
ACQUISITION OF TANGIBLE CAPITAL ASSETS	-	(342,120)	(130,405)
AMORTIZATION OF TANGIBLE CAPITAL ASSETS	<u>-</u>	<u>39,743</u>	<u>23,568</u>
	<u>-</u>	<u>(302,377)</u>	<u>(106,837)</u>
USE OF PREPAID ASSETS	<u>-</u>	<u>827</u>	<u>408</u>
INCREASE IN NET FINANCIAL ASSETS	1,869	(265,647)	(99,704)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>405,688</u>	<u>405,688</u>	<u>505,392</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u>407,557</u>	\$ <u>140,041</u>	\$ <u>405,688</u>

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	2015
OPERATING		
Cash received from rate payers	\$ 131,385	\$ 130,229
Cash received from government transfers	205,265	17,016
Cash received from investments	908	1,809
Cash paid for expenses	(114,700)	(91,486)
Cash paid for requisitions	(57,548)	(56,043)
	<hr/> 165,310	<hr/> 1,525
CAPITAL		
Purchases of tangible capital assets	(342,120)	(130,405)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(176,810)	(128,880)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<hr/> 445,016	<hr/> 573,896
CASH AND EQUIVALENTS, END OF YEAR (Note 2)	<hr/> \$ 268,206	<hr/> \$ 445,016

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
 SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
 YEAR ENDED DECEMBER 31, 2016**

SCHEDULE 1

	UNRESTRICTED SURPLUS	RESTRICTED SURPLUS	EQUITY IN TANGIBLE CAPITAL ASSETS	2016	2015
BALANCE, BEGINNING OF YEAR	\$ 13,061	\$ 396,162	\$ 516,076	\$ 925,299	\$ 918,574
Excess (deficiency) of revenues over expenses	35,903	-	-	35,903	6,725
Restricted funds used for operations	54,042	(54,042)	-	-	-
Restricted funds used for tangible capital assets	342,120	(342,120)	-	-	-
Current year funds used for tangible capital assets	(342,120)	-	342,120	-	-
Annual amortization expense	39,743	-	(39,743)	-	-
Change in accumulated surplus	129,688	(396,162)	302,377	35,903	6,725
BALANCE, END OF YEAR	142,749	-	818,453	961,202	925,299

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
 SCHEDULE OF TANGIBLE CAPITAL ASSETS
 YEAR ENDED DECEMBER 31, 2016**

SCHEDULE 2

	<u>LAND</u>	<u>BUILDING</u>	<u>ENGINEERED STRUCTURES</u>	<u>MACHINERY & EQUIPMENT</u>	<u>2016</u>	<u>2015</u>
COST:						
Balance, beginning of year	\$ 161,170	\$ 101,360	\$ 378,895	\$ 21,048	\$ 662,473	\$ 532,068
Acquisition of tangible capital assets	-	-	342,120	-	342,120	130,405
Balance, end of year	161,170	101,360	721,015	21,048	1,004,593	662,473
ACCUMULATED AMORTIZATION:						
Balance, beginning of year		44,000	95,460	6,937	146,397	122,829
Annual amortization	-	2,027	36,664	1,052	39,743	23,568
Balance, end of year	-	46,027	132,124	7,989	186,140	146,397

NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 161,170	\$ 55,333	\$ 588,891	\$ 13,059	\$ 818,453	\$ 516,076
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 161,170	\$ 57,360	\$ 283,435	\$ 14,111	\$ 516,076	

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
 SCHEDULE OF PROPERTY AND OTHER TAXES
 YEAR ENDED DECEMBER 31, 2016.**

SCHEDULE 3

	<u>BUDGET</u>	<u>2016</u>	2015
TAXATION			
Real property taxes	\$ 131,258	\$ 131,108	\$ 130,480
Linear property taxes	658	658	681
	<u>131,916</u>	<u>131,766</u>	<u>131,161</u>
REQUISITION			
Alberta School Foundation Fund	55,803	55,803	54,531
Greater North Foundation	1,745	1,745	1,512
	<u>57,548</u>	<u>57,548</u>	<u>56,043</u>
NET MUNICIPAL TAXES	<u>\$ 74,368</u>	<u>\$ 74,218</u>	<u>\$ 75,118</u>

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
SCHEDULE OF GOVERNMENT TRANSFERS
YEAR ENDED DECEMBER 31, 2016**

	SCHEDULE 4		
	<u>BUDGET</u>	<u>2016</u>	2015
TRANSFERS FOR OPERATING			
Provincial government	\$ 8,103	\$ 32,175	\$ 17,016
TRANSFERS FOR CAPITAL			
Provincial government	-	65,382	17,381
TOTAL GOVERNMENT TRANSFERS	\$ 8,103	\$ 97,557	\$ 34,397

**CONSOLIDATED SCHEDULE OF EXPENDITURES BY OBJECT
YEAR ENDED DECEMBER 31, 2016**

	SCHEDULE 5		
	<u>BUDGET</u>	<u>2016</u>	2015
EXPENSES			
Contracted and general services	\$ 54,077	\$ 71,021	\$ 58,719
Amortization of tangible capital assets	-	39,743	23,568
Salaries wages and benefits	21,400	19,041	18,137
Materials goods and utilities	4,275	3,510	3,863
Other	5,150	6,962	5,093
TOTAL EXPENDITURE	\$ 84,902	\$ 140,277	\$ 109,380

SUMMER VILLAGE OF ISLAND LAKE SOUTH

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Summer Village of Island Lake South are the representations 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 of 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 and other external organizations that are not part of the municipal 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
 YEAR ENDED DECEMBER 31, 2016**

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) Tax Revenue

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

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

(h) 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 results 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.

(i) 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.

(j) 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 Improvements	20 years

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

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

2. CASH

	<u>2016</u>	2015
Cash	\$ <u>268,206</u>	\$ <u>445,016</u>

3. TAXES AND GRANTS IN PLACE OF TAXES

	<u>2016</u>	2015
Current taxes	\$ 13,284	\$ 7,772
Arrears	<u>1,761</u>	<u>2,509</u>
	<u>\$ 15,045</u>	<u>\$ 10,281</u>

4. DEFERRED REVENUE

	<u>2016</u>	2015
New Deal for Communities	\$ -	\$ 32,510
Street Improvement Grant	-	23,000
Municipal Sustainability Grant - Capital	<u>163,218</u>	<u>-</u>
	<u>\$ 163,218</u>	<u>\$ 55,510</u>

<u>2016</u>	2015
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5. ACCUMULATED SURPLUS

	<u>2016</u>	<u>2015</u>
Unrestricted surplus	\$ 142,749	\$ 13,061
Equity in tangible capital assets	818,453	516,076
Restricted surplus		
Alberta Municipal Infrastructure Program	-	96,762
Street Improvement Program	-	23,200
Federal Gas Tax Fund	-	32,556
Basic Transportation	-	33,400
Municipal Sustainability Initiative - Capital	<u>-</u>	<u>210,244</u>
Total restricted surplus	<u>-</u>	<u>396,162</u>
	<u>\$ 961,202</u>	<u>\$ 925,299</u>

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2016**

6. 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:

	<u>2016</u>	2015
Total debt limit	\$ 166,197	\$ 148,086
Total debt	<u>-</u>	<u>-</u>
Amount total debt limit unused	<u>\$ 166,197</u>	<u>148,086</u>
Debt servicing limit	\$ 27,700	24,681
Debt servicing	<u>-</u>	<u>-</u>
Amount of debt servicing limit unused	<u>\$ 27,700</u>	<u>24,681</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.

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	Net <u>2016</u>	Net <u>2015</u>
Tangible capital assets (Schedule 2)	\$ 1,004,593	\$ 662,473
Accumulated amortization (Schedule 2)	<u>(186,140)</u>	<u>(146,397)</u>
	<u>\$ 818,453</u>	<u>\$ 516,076</u>

SUMMER VILLAGE OF ISLAND LAKE SOUTH

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:

	2016			2015
	Salary	Allowances	Total	Total
Mayor:				
Gary Tym	\$ 700	\$ 400	\$ 1,100	1,200
Councillors:				
Jim Sandmaier	625	525	1,150	650
Lori Barr	800	375	1,175	825
Village Administrator	16,400	1,163	17,563	16,006

(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. 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.

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.