
**SUMMER VILLAGE OF ISLAND LAKE SOUTH
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

SUMMER VILLAGE OF ISLAND LAKE SOUTH

DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COUNCIL: 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, 2017, 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, 2017 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 24, 2018

ORIGINAL SIGNED BY AUDITOR
CHARTERED PROFESSIONAL ACCOUNTANT

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
CONSOLIDATED FINANCIAL POSITION
DECEMBER 31, 2017**

	2017	2016
FINANCIAL ASSETS		
Cash (Note 2)	\$ 288,050	\$ 268,206
Receivables		
Taxes receivable (Note 3)	15,956	15,046
Good and services tax receivable	13,438	29,807
	317,444	313,059
LIABILITIES		
Accounts payable and accrued liabilities	5,262	8,912
Prepaid taxes	1,068	887
Deferred revenue (Note 5)	161,317	163,218
	167,647	173,017
NET FINANCIAL ASSETS	149,797	140,042
NON-FINANCIAL ASSETS		
Tangible Capital Assets	781,939	818,453
Prepaid expense	2,759	2,707
	784,698	821,160
ACCUMULATED SURPLUS (Schedule 1)	\$ 934,495	\$ 961,202

APPROVED BY COUNCIL

_____ MAYOR

_____ COUNCILLOR

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2017**

	BUDGET	2017	2016
REVENUE			
Net municipal taxes (Schedule 3)	\$ 74,082	\$ 74,082	\$ 74,218
ALARIE insurance allocation	-	8,175	-
Government transfers for operating (Schedule 4)	6,661	6,659	32,175
Penalties and costs of taxes	2,000	3,245	1,970
User fees and sale of goods	3,831	1,299	1,527
Investment income	900	270	908
TOTAL REVENUE	87,474	93,730	110,798
EXPENSES			
Amortization	-	51,522	39,743
Administration	47,640	43,994	39,118
Parks and recreation	11,700	21,698	32,496
Waste management	13,000	14,344	12,984
Legislative	3,500	5,439	3,425
Roads, streets, walks and lighting	5,000	5,191	3,300
Culture	4,657	3,988	6,962
Fire and bylaws enforcement	1,977	2,033	1,890
Family and community support	-	679	359
TOTAL EXPENSES	87,474	148,888	140,277
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	-	(55,158)	(29,479)
OTHER			
Government transfers for capital (Schedule 4)	-	28,451	65,382
EXCESS OF REVENUE OVER EXPENSES	-	(26,707)	35,903
ACCUMULATED SURPLUS, BEGINNING OF YEAR	961,202	961,202	925,299
ACCUMULATED SURPLUS, END OF YEAR	\$ 961,202	\$ 934,495	\$ 961,202

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
CONSOLIDATED STATEMENT OF CHANGE IN NET
FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2017**

	BUDGET	2017	2016
EXCESS OF REVENUE OVER EXPENSES	\$ -	\$ (26,707)	\$ 35,903
ACQUISITION OF TANGIBLE CAPITAL ASSETS	-	(15,008)	(342,120)
AMORTIZATION OF TANGIBLE CAPITAL ASSETS	<u>-</u>	<u>51,522</u>	<u>39,743</u>
	<u>-</u>	<u>36,514</u>	<u>(302,377)</u>
USE OF PREPAID ASSETS	<u>-</u>	<u>(52)</u>	<u>828</u>
INCREASE IN NET FINANCIAL ASSETS	-	9,755	(265,646)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>140,042</u>	<u>140,042</u>	<u>405,688</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 140,042</u>	<u>\$ 149,797</u>	<u>\$ 140,042</u>

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017**

	2017	2016
OPERATING		
Excess of revenues over expenditures	\$ (26,707)	\$ 35,903
Amortization	51,522	39,743
Non-cash changes to operations (net change):		
Decrease (increase) in taxes receivable	(910)	(4,765)
Decrease (increase) in trade and other receivables	-	(20,002)
Decrease (increase) in Goods and services tax receivable	16,369	-
Increase (decrease) in accounts payable and accrued liabilities	(3,649)	5,008
Increase (decrease) in prepaid taxes	180	887
Increase (decrease) in deferred revenue	(1,901)	107,708
Decrease (increase) in prepaid expenses	(52)	828
Cash provided by operating transactions	34,852	165,310
CAPITAL		
Purchases of tangible capital assets	(15,008)	(342,120)
CHANGE IN CASH DURING YEAR	19,844	(176,810)
CASH, BEGINNING OF YEAR	268,206	445,016
CASH, END OF YEAR (Note 2)	\$ 288,050	\$ 268,206

**RESTATED
NOTE 9**

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2017**

SCHEDULE 1

	UNRESTRICTED SURPLUS	EQUITY IN TANGIBLE CAPITAL ASSETS	2017	2016
BALANCE, BEGINNING OF YEAR	\$ 142,749	\$ 818,453	\$ 961,202	\$ 925,299
Excess (deficiency) of revenues over expenses	(26,707)	-	(26,707)	35,903
Current year funds used for tangible capital assets	(15,008)	15,008	-	-
Annual amortization expense	51,522	(51,522)	-	-
BALANCE, END OF YEAR	152,556	781,939	934,495	961,202

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2017**

SCHEDULE 2

	<u>LAND</u>	<u>BUILDING</u>	<u>ENGINEERED STRUCTURES</u>	<u>MACHINERY & EQUIPMENT</u>	2017	2016
COST:						
Balance, beginning of year	\$ 161,170	\$ 101,360	\$ 721,015	\$ 21,048	\$ 1,004,593	\$ 662,473
Acquisition of tangible capital assets	-	\$ -	-	\$ 15,008	15,008	342,120
Balance, end of year	161,170	\$ 101,360	721,015	\$ 36,056	1,019,601	1,004,593
ACCUMULATED AMORTIZATION:						
Balance, beginning of year		46,027	132,124	7,989	186,140	146,397
Annual amortization	-	\$ 2,027	48,068	\$ 1,427	51,522	39,743
Balance, end of year	-	48,054	180,192	9,416	237,662	186,140
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 161,170	\$ 53,306	\$ 540,823	\$ 26,640	\$ 781,939	\$ 818,453

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
 SCHEDULE OF PROPERTY AND OTHER TAXES
 YEAR ENDED DECEMBER 31, 2017**

	SCHEDULE 3		
	BUDGET	2017	2016
TAXATION			
Real property taxes	\$ 133,714	\$ 133,715	\$ 131,108
Linear property taxes	634	633	658
	134,348	134,348	131,766
REQUISITION			
Alberta School Foundation Fund	58,256	58,256	55,803
Greater North Foundation	2,010	2,010	1,745
	60,266	60,266	57,548
NET MUNICIPAL TAXES	\$ 74,082	\$ 74,082	\$ 74,218

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
SCHEDULE OF GOVERNMENT TRANSFERS
YEAR ENDED DECEMBER 31, 2017**

	SCHEDULE 4		
	BUDGET	2017	2016
TRANSFERS FOR OPERATING			
Provincial government	\$ 6,661	\$ 6,659	\$ 32,175
TRANSFERS FOR CAPITAL			
Provincial government	-	28,451	65,382
TOTAL GOVERNMENT TRANSFERS	\$ 6,661	\$ 35,110	\$ 97,557

**CONSOLIDATED SCHEDULE OF EXPENDITURES BY OBJECT
YEAR ENDED DECEMBER 31, 2017**

	SCHEDULE 5		
	BUDGET	2017	2016
EXPENSES			
Contracted and general services	\$ 57,002	\$ 68,504	\$ 71,021
Amortization of tangible capital assets	-	51,522	39,743
Salaries wages and benefits	21,400	20,180	19,041
Materials goods and utilities	4,415	4,694	3,510
Other	4,657	3,988	6,962
TOTAL EXPENDITURE	\$ 87,474	\$ 148,888	\$ 140,277

SUMMER VILLAGE OF ISLAND LAKE SOUTH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2017**

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

	2017	2016
Cash	\$ <u>288,050</u>	\$ <u>268,206</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, 2017**

3. TAXES RECEIVABLE

	2017	2016
Current taxes	\$ 5,948	\$ 13,285
Arrears	<u>10,008</u>	<u>1,761</u>
	<u>\$ 15,956</u>	<u>\$ 15,046</u>

4. DEFERRED REVENUE

	2017	2016
Municipal Sustainability Grant - Capital	<u>\$ 161,317</u>	<u>\$ 163,218</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 2018.

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:

	2017	2016
Total debt limit	\$ 140,595	\$ 166,197
Total debt	<u>-</u>	<u>-</u>
Amount total debt limit unused	<u>\$ 140,595</u>	<u>166,197</u>
Debt servicing limit	\$ 23,433	27,700
Debt servicing	<u>-</u>	<u>-</u>
Amount of debt servicing limit unused	<u>\$ 23,433</u>	<u>27,700</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, 2017**

6. EQUITY IN TANGIBLE CAPITAL ASSETS

	Net 2017	Net 2016
Tangible capital assets (Schedule 2)	\$ 1,019,601	\$ 1,004,593
Accumulated amortization (Schedule 2)	<u>(237,662)</u>	<u>(186,140)</u>
	<u>\$ 781,939</u>	<u>\$ 818,453</u>

7. ACCUMULATED SURPLUS

	2017	2016
Unrestricted surplus	\$ 152,556	\$ 142,749
Equity in tangible capital assets	<u>781,939</u>	<u>818,453</u>
	<u>\$ 934,495</u>	<u>\$ 961,202</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	2017 Total	2016 Total
Councillors:				
Lori Barr	\$ 1,000	\$ 1,059	\$ 2,059	\$ 1,175
Jim Sandmaier	1,000	846	1,846	1,150
Gary Tym	900	634	1,534	1,100
Village Administrator	\$ 16,400	\$ 1,416	\$ 17,816	\$ 17,563

(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 restated to reflect the current year financial statement presentation.

**SUMMER VILLAGE OF ISLAND LAKE SOUTH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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.